

Challenges of the Changing Economy of New York City 1978



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CHALLENGES
OF THE
CHANGING ECONOMY OF NEW YORK CITY

THEME
FORGING A COMPETITIVE CITY:
THE CHALLENGES OF NEW YORK CITY'S REDEVELOPMENT

PROCEEDINGS OF THE ELEVENTH ANNUAL ONE-DAY INSTITUTE
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ON

THE CHALLENGES OF THE CHANGING ECONOMY OF NEW YORK CITY

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STATEMENT OF PURPOSE

The New York City Council on Economic Education is a community-centered organization which aims to improve the quality and quantity of economic education by working with local school systems, teacher training institutions, professional economists, and groups representing all sectors of the American economy. Specifically, it seeks to improve teacher backgrounds and methods, the curriculum, and materials related to economic education.

PREFACE

New York City is obviously governed by the workings of the national economy, even--as now--when its own performance fails to parallel the nation's growth. The City's competitiveness, however, is directly affected by decisions of local government. In essence, they play a leading role in determining the City's attractiveness for conducting and maintaining present business enterprises, and drawing in new ones. No problem facing the new Koch administration will merit more attention than this problem of development--or redevelopment. For the bellwether of this--or any administration--will always be the state of the City's economy.

The Council's Eleventh Annual Institute on the Challenges of the Changing Economy of New York City concerns itself with the problem of forging a competitive city, and examines the options available in that quest. Two vital problems in this area are examined. One concerns the perennial question, compounded since the oil crisis, as to whether the City can be competitive in energy costs. The other problem is the nagging one of determining how we can increase the efficiency of the public sector. The experts for both of these topics are actively concerned in operations demanding their expertise.

New York City's investment in business is examined by a ranking economist who has just completed a new study of local business involvement and will present its key findings. The City's labor market--an annual Institute survey--is updated by the foremost authority in the field.

The City's short-term outlook, as well as its longer-term prospects, is evaluated. In the latter case, insights are furnished by the former Staff Director of the Temporary Commission on City Finances, which was responsible for making recommendations concerning long-term financial problems. A short-term outlook is investigated by an urban economist who specializes in New York City.

Redevelopment involves the search for new approaches to shore up the City's economy. To deal with this key topic, the Council is fortunate to have an authority with the perspective of State and regional experience.

Finally, the program is framed by the opening remarks of an economist who discusses the basic concepts of economic survival for political entities, and a closing philosophic discourse on whether the "competitive city" is a myth or reality.

We wish to acknowledge a special debt to Richard H. Hoenig, Assistant Vice President, The Federal Reserve Bank of New York, for his gracious assistance in the preparation of this manuscript for the printer.

The Council Institutes continue to be the only forums devoted to an in-depth analysis of a vital theme concerned with the City's economy. The Council insures a coordinated program that will fully explore and develop the announced theme by its careful selection of speakers whose expertise will contribute to the particular Institute.

Dr. Albert Alexander
Executive Director
New York City Council on Economic Education

July 1, 1978

THE ECONOMICS OF SURVIVAL IN A POLITICAL ENTITY

By Haig Babian

Welcome to the Eleventh Annual Institute on the state of the economy of New York City. It is somewhat startling that 10 years have passed since we first thought it would be fitting for an organization like the New York City Council on Economic Education, now housed within this magnificent university, to take the pulse of New York City's economy once a year. It was apparent to us then that New York City was in some straits. We had no idea, however, that the City's problems would be as difficult to define, let alone resolve, as they have proved in the last several years. Certainly the difficulty does not stem from an inadequate amount of publicity.

We have a very strong program today. The New York City Council has, through the years, been fortunate in that the best talent in New York City has made itself available to our endeavors. We have a very representative group of that talent with us today. I cannot refrain, as president of this organization, from saying that we must have been doing something right to be able to put together 11 consecutive annual Institutes. I believe many of you have been here before. I hope that those who are here for the first time will derive the same satisfaction from the proceedings today that the "old-timers" apparently derived from past Institutes.

I want to express the Council's appreciation for the tireless efforts of its executive director, Dr. Albert Alexander, who worked very hard for months to pull together the details of today's program. And, of course, a special word of thanks must go to Rosemary Scanlon, who is your chairperson today. She did a tremendous job of guiding the Program Committee through a myriad of details. I believe you will find, as a consequence of these efforts, an incisive and penetrating presentation on "The Challenges of New York City's Redevelopment."

Last year I called attention to the dangers of attempting to recreate the past, including the resurrection of middle-class values rooted in the needs and understandings of a pre-World War II society...

...a society that came before the expectations revolution engulfed and equalized standards for rich and poor alike, for the culturally integrated and non-integrated alike...

...a society that existed before New York City's capital plant and equipment started crumbling under the weight and velocity of the post-war population explosion...

...a society that functioned before New York City found itself in the wake of the grand trans-migration westward and southward...

...before the economic overmaturity of the northeastern region made New York City particularly sensitive to the macro-economic cyclical factors of the national economy...

.....before New York City became the revolving door of out-migration of old ethnic groups and the in-migration of new ones.

What I was suggesting last year was that conditions of the past need not write the script for a future doomsday, if we understand that future economic development for an area like New York City cannot be perceived as requiring the rediscovery of a sequence that worked in the past. So this year, again, I'd like to make a few brief remarks about the dangers and opportunities facing an obviously chastened and, perhaps, even wiser New York City.

A social satisfaction from one's economic environment may be a lucky accident. But it is certainly a consequence of available resources being allowed to take the line of least resistance to a point where the greatest return may be derived. If results prove satisfactory to the vast majority, so much the better. This is another way of saying that ultimately the means for social satisfaction will be found where there are the greater efficiencies available in the use of land, manpower, and capital.

New York City is in competition with the other cities and areas of the United States. If it does not make a convincing case for the peculiar efficiencies it may possess, for the use of capital and manpower, then even its land resources will decline in value. I'm struck by the fact that something is happening to the real estate tax base of New York City because there has been a decline in the value of so much of the taxable property. I'm also struck by the possibility that Kennedy Airport, that great international facility, could be hopped over by the new fare and flight facilities recently approved by the federal government.

So whether it be a regional plan, a development plan, or a more specific job-making plan, if it does not contribute to the making of New York City a more efficient user of natural, capital and manpower resources, those plans will not work, and possibly even be counter-productive.

Having been brought to its knees, so to speak--perhaps, that's an over-dramatic term--New York City finds itself in a "chicken or egg" situation. Which is to come first? The inner revival to attract capital? Or capital to stimulate inner revival? And even if we assume the latter comes first, from where are the resources for economic revival to come? One of the solutions seems to be the federal government. By my count, three weeks and two days ago President Carter announced an urban revitalization program, which is really a great reshuffling of all the various government agencies involved in the provision of assistance of one kind or another to states and localities, with only small amounts of new monies coming into the program. The idea adds up to \$8.3 billion for fiscal 1979.

Now, aside from the great danger of overdependence on this facility, it will not help to create the new outlooks that I believe are desirable to make of New York City what it thinks it wants to be--namely, a great center of business and cultural activity. Aside from that danger, there is a danger that the federal government itself may be swept into the same type of financial vortex that almost engulfed New York City. I am not going to list all of the things that one of our wiser financial advisers spelled out in a speech recently, but the dependence on shorter term loans and so on is a typical example of what could happen to the nation as a whole.

As modest as the Carter plan is, I don't think too many people understand how involved federal monies have become with the financial needs of our cities and states. The total assistance to state and local governments, for example, came to \$68 billion in fiscal year 1977, and that is slated to rise to \$85 billion in fiscal 1979. The increase between 1977 and 1979 is greater than the entire amounts made available by the federal government for state and local governments during the previous decade. I am not going to belabor the psychological and financial problems. I merely offer this as food for thought for those who think that the federal government is not doing enough.

Obviously, New York City requires billions more than it is likely to get in any program that a fiscally responsible federal government could possibly provide without great danger to itself. So we are back to considering how New York City can help itself. It is a platitude to say that only self-help will do it, but I know no other way of saying it. There are encouraging signs, of course. As a macro-economist, I have to keep track of the larger economic picture, and I detect very definite signs that the great difficulties of 1975 and 1976 are over for the Northeast region in general and for the New York area and New York State in particular. But even the most thorough use of all the facilities of the projective arts can't come up with a better picture than the improbability of the Northeast region and New York State exceeding the national averages in personal income and economic growth rates.

So the problem is large, it is present, it is continuing, and I return to my original theme that a resolution of the problem is going to require a shift in outlook. I believe we need an outlook that both expects and offers--one that expects more efficiencies from itself, and one that offers greater efficiencies than most of the competing forces that comprise the American economic system. For the first time, I detect that some kind of a psychological turning point has occurred in the manner in which the City governs itself, and in the perceptions that the public, the press, and the other institutions of the City have of the future. It seems that something hopeful has occurred which I cannot define, but which I believe will be an ingredient in the substance of the comments of each of today's speakers.

KEY FINDINGS ON NEW YORK CITY'S BUSINESS INVESTMENT

By Regina Armstrong

As some of you may know, for the past year and a half Regional Plan Association has been engaged in the construction of a set of interlocking income and product accounts for the New York Urban Region. One volume, The Region's Money Flows, The Government Accounts, was released last year; the two concluding volumes on The Business Accounts and The Household Accounts will be published later this year.

The regional accounting effort will expand our research capacity in a number of ways. First, it will produce aggregate measures of economic performance and well-being, such as Gross Regional Product, business output, disposable income, or the components of demand, such as consumer purchases and business investment. These measures will be comparable in definition and construction to the national indicators and will enable us to monitor the region's economy in a much more comprehensive way. With the associated accounting statements, the aggregates will be available on a subregional basis, separating New York City's output, income, and outlays from those of three suburban portions of the region.

Secondly, because of an interlocking double-entry method that links production, income, and consumption in the construction of regional accounts, the system will enable us to trace the flow of funds between output, earnings, and demand, and assess second round effects from inducing employment or directing investment on the level of personal or government income and consumption in the region. For this purpose, the economy of the region and its four subregions was sectorized into business transactions, based on 90 separate industries by 7 major factor and nonfactor costs of production, government transactions showing 25 sources of revenue and 17 major program areas of expenditure for all levels of government, and household transactions cross-tabulating income class, housing type, and family size by several dozen commodities and services purchased.

Lastly, the regional accounts will reveal much that has been unknown about our economic relations with the rest of nation, including leakages and injections of funds, trade balances on goods and services, comparative advantages and disadvantages by industry and factor costs of production, to mention a few.

Apart from its research applications, income and product accounting has policy relevance, but in ways at the regional scale that differ from the application of gross national product accounts to fiscal and resource allocation issues on the national scale. These I won't discuss. My reason for briefly describing the structure of regional accounts was to indicate the kind of reference system that has both the capacity for and is almost essential to any comprehensive assemblage and analysis of investment information.

Sources of data on capital expenditures are notoriously fragmented and partial, from both an industry and geographic perspective. Threads of information can be pieced together in a consistent whole only when industry-specific reports, construction, and equipment series are controlled within the context of a balanced

accounting system that provides facts on corporate earnings, producers depreciation allowances, the universe of savings for investment, and alternative components of demand for output. This we attempted to do and I will describe some of our findings regarding private investment in New York City, particularly during the 1972 to 1975 period for which the accounts were constructed.

Private investment in New York City amounted to \$6 billion in 1972 and declined to about \$4.5 billion unadjusted for price increases by 1975. In real terms, this drop in structure and equipment purchases by business and households was on the order of 40 percent. Since mid-decade, partial series on construction point toward still further declines in the real value of producers' investment in the City through 1977. Recent modest gains in Citywide employment including manufacturing, a sharp decline in office vacancy rates, and a build-up of construction planned for 1979 into the 'eighties are hopeful signs for the future.

However, McGraw-Hill's survey of business plans for new plants and equipment to 1980 indicates that the biggest decline in planned capital investment among regions of the nation will occur in the Middle Atlantic area, where producers' share of national capital expenditures is anticipated to drop from 13 to 11 percent of total between 1975 and 1980. In New York City, private investment would virtually have to double by yearend, or increase to about \$9 billion in 1978, in order to show any real gain in capital spending over the early 'seventies. Strength for this recovery is not evident.

Not that 1972 was a banner year for private investment in New York City. Then, the City's share of all such capital spending in the nation was only 3.4 percent, or roughly half of its percentage contribution to business output nationwide. Moreover private investment was buoyed by large public utility outlays, which accounted for two-fifths of capital expenditures in the City, or \$2.5 billion, and 15 percent of all private investment in transportation, communications, and utilities in the year.

Business construction outlays of \$1.3 billion comprised only 1.5 percent of all structural investment in the nation, with residential and nonresidential building showing an equal low share. Equipment purchases of \$2.3 billion accounted for the remaining three-eighths of producers' investment--or a low 3 percent of durable equipment purchases nationwide. Compared to expenditures on Gross National Product, 15 percent of which were attributable to private capital formation in 1972, business and households invested less than 9 percent of gross City product in capital stock.

The decline in private investment between 1972 and 1975 was distributed among all three functional outlays, but not equally. Overall, the City's share of capital expenditures dropped from 3.4 to 2.3 percent of the national total. Structural purchases declined most rapidly, with the value of private dollars flowing into construction down by nearly 60 percent. The virtual halt to residential building accounted for the overwhelming share of this loss, with the current dollar value of private nonresidential investment off by roughly 20 percent.

Nationally, private investment in structures decreased as well, but only by 9 percent over 1972, placing the City's building share below 1 percent of total. Equipment purchases were cut to \$1.8 billion in current dollars for a 22 percent decline, and New York producers accounted for less than 2 percent of durable goods

investment nationwide, or roughly one-third their share of business output. Public utility expenditures on capital account fell by 13 percent, but continued to represent an above average portion of all such outlays in the nation. In general, for every dollar of business output, the private sector invested 15 cents in capital formation nationwide; in New York City, business and households invested only 6 percent of the dollar.

Even while private producers were under-investing in capital stock in New York with respect to their national counterparts, the public sector's share of all government capital formation was weaker still. Federal, state, and local governments outlayed about \$1 billion on structures, infrastructure and equipment in the City in 1972, and roughly \$800 million in 1975. As a share of the nation's public investment, we captured about 3 and 1.5 percent respectively. Measured by direct expenditures on capital, the City government accounted for 90 percent of all public investment in 1972 and 50 percent by 1975, with the federal share increasing from 5 to 15 percent over the period. Adjusted for intergovernmental flows of financing, the nonlocal share of capital spending would increase.

In both years, public investment in structures was relatively high, with nonresidential construction equal in value or above private sector activity. Outlays for public office buildings and educational facilities, notably the City University system, accounted for the major share. However, heavy construction on roadways, bridges, transportation, and water systems, comprised under one percent of public infrastructure spending in the nation in either year, but increased markedly over the period with the inclusion of activity on the Second Avenue subway. This construction accounted for about one-eighth of total public investment in 1975. By illustration, cost estimates for such major projects as Westway of the Manhattan portion of the Second Avenue subway each exceed \$1 billion in current dollars, or annualized over the durations of the projects would more than double the level of public infrastructure investment in 1975.

To say that disinvestment was occurring in New York City during the 'seventies entails more than showing that a disproportionately low share of output was expended on private capital formation or that the City acquires less than its population, employment, or income measure in the nation. A good share of capital expenditures by producers represents growth investment, over and above replacement of capital used up by the production process. An indicator of this on the national scale, that can also be viewed in the context of regional accounts for New York City, would be the difference between gross private investment and producers capital consumption allowances. In the nation in 1975, private domestic investment of \$200 billion exceeded depreciation allowances of \$133 billion by half again as much.

Theoretically, the margin of growth was financed by undistributed corporate profits of \$30 billion and personal savings. In New York City, private capital expenditures of \$4.5 billion were 10 percent below the replacement allowances producers had set aside for keeping capital intact. Even though corporate earnings generated here were a significant share of the national total, neither full replacement of used-up capital nor a margin of growth occurred. Compared to savings for investment in the nation, the private sector theoretically had resources to fund over twice the level of investment in the City. And the public sector has been shown, by the Government Accounts, to withdraw over a billion dollars annually in federal revenues from New York City for the purchase of goods and services on current and capital account in the rest of nation.

Where is growth investment occurring and what are some of the locational issues that pertain to investment? In the earlier period, a small amount of manufacturing investment took place over and above replacement needs in the outlying portion of the region, but in more recent years new plant expenditures have declined in absolute terms while the value of industrial building remained on a fairly even keel for the entire Northeast. Others have shown that Pennsylvania has captured many of the move-outs, which essentially remained within the Northeast, and that New England's prospects for planned expansion of business plant and equipment are more favorable than the Middle Atlantic area's. In general, it appears that a fairly constant amount of productive capacity has been maintained by full replacement in the Northeast, but that the pattern of growth and disinvestment has shifted the distribution of capital stock outward from more central portions of the region. As to a large margin of industrial growth investment, this has been triggered by the expansion and birth of new manufacturers, concentrated in the West and North Central Regions. In 1977, the Los Angeles and Anaheim SMSAs accounted for more investment in new industrial buildings than the entire Northeast.

Trends are somewhat similar, but more encouraging for office construction. In this investment category, real growth can be expected in New York City from the private sector, without public inducements or incentives. In 1969, the peak year of the office building boom in New York, some 32 million square feet of office space underwent construction in Manhattan with an investment value of \$1.5 billion that accounted for nearly one-fifth of all capital spending on offices in the nation. By comparison, this construction would have been worth over \$2.2 billion in 1975, or equivalent to half of all private investment in the City that year.

Surely, we will never recapture the past and ought not to, for the glut in office space produced by the over-building at the start of the decade has taken until the late 'seventies to absorb. And while New York's office construction declined from 71 percent of the region's total in 1969 to 5 percent, or one-half million square feet in 1977, office building maintained a fairly steady pace of addition in the suburbs, until recently, and picked up sharply elsewhere in the nation.

The drift of office investment to the South and West is very apparent. During the last ten years, nearly \$10 billion was invested in office construction in the South, or fully one-third of the national total. About one in four dollars spent on nonresidential building in the West, or \$7.7 billion, was for private office structures, while the entire Northeast put in place \$5.4 billion, or merely half of the office investment occurring in the West in per capita terms.

Prime office space again is in short supply in New York City, and several major owner-occupied headquarters and large speculative buildings are scheduled for construction. With renewed growth in white collar employment, private capital formation in the office sector will surpass all manufacturing investment in its dollar impact on the City's economy. Should past projections of construction for the 'eighties be borne out, new building alone can mean some \$400-\$500 million in investment annually. But this is still, of course, a fraction of the total.

Clearly, it will take major chunks of private and public spending to boost capital formation in New York City. The City's residential sector, which typically absorbs twice the structural investment of nonresidential activity, certainly requires

massive capital infusion, regardless of whatever population level New York settles upon. In other areas, demand for growth or replacement might not be forthcoming. For one, it would be hard to imagine much more institutional building in the near future. Then again, there is the unmeasured impact of environmental regulations on producers' locational and investment decisions. Particularly with respect to clean air standards, which are not uniform throughout the nation but biased against older, denser areas, the outcome may be more spending for some producers, but decentralization by others who cannot justify the added investment required to meet these standards in this area.

New York still remains the nation's greatest concentration of investment capital, and now the focus of an increasing amount of foreign investment. Maintaining our extra margin of productivity depends in part on replacing used capital and introducing current technologies. Large amounts of private investment are needed to strengthen the economic base of the City. There are not enough public dollars to rebuild our urban cores.

But public expenditures wisely directed can leverage private sector investment, by providing a framework for development investment needs through land assemblage and infrastructure, and by establishing a business climate that assures private investors of a reasonable rate of return at low risk, through meeting public safety, fiscal stability, and public transit needs. We ought to compete more effectively for the institutional capital which leaves this area, attracted to newly developing regions, and provide other ways to offset the loss of venture capital important to the incubation of new activities.

NEW YORK LABOR MARKET: AN UPDATE

By Herbert Bienstock

Recent trends in employment and unemployment in New York City are signaling a much more encouraging picture than has been true for the best part of the current decade.

For the first time in eight years, total payroll employment is running above year-ago levels. The turn was first visible in the fourth quarter of 1977. In each of the last three months of 1977, total employment in New York City proper ran ahead of year-ago levels by moderate amounts ranging from 1,500 in October to 200 in December.

In 1978, the year-to-year increases have become more substantial with the January 1978 level running at 23,400 over a year ago and the February 1978 level at 15,700 jobs above a year ago. The February 1978 figure may have been influenced by the near-record snowfall in early February.

Private sector employment in New York City rose 9,000 over the year ending February 1978 with increases in both manufacturing and nonmanufacturing. The City's manufacturing employment base was up from prior year levels in eight of the last nine months.

The 4,000 year-to-year job rise in the City's factories is worth noting in view of the substantial loss of over 500,000 jobs in this sector since the end of World War II. Manufacturing employment gains in two of the last three years followed nine consecutive yearly losses totaling more than 300,000 jobs.

This February, for the first time in five years, private nonmanufacturing employment showed year-to-year gains. In the preceding four years, 1973-77, the private nonfactory sector lost 196,000 jobs. An increase of 5,000 between February 1977 and February 1978 reflected gains for services, up 10,000; contract construction, 4,000; and banking 2,000.

Public sector employment was up by 7,000 over the year ending February 1978 following the sharp loss of 91,000 jobs in the two preceding years. A 15,000 over the year increase in federally funded job slots offset continued cutbacks in other local government jobs.

A healthy sign noted from a close examination of detailed industry breakdowns for the City is the wide range of industry groupings for which employment was up over the year. Among 244 sectors presented in a special analysis, 114 registered gains in employment over the year ending in February 1978.

Among these were 25 industries with job gains of 500 or more, including parts of the contract construction sector up 2,900, and parts of the women's, misses' and juniors' outerwear industry, up 2,300. Other year-to-year job gains were reported in advertising services, legal services, periodicals, publishing and printing, mutual savings banks, and insurance agents, brokers and services, each up 1,000 or more. Gains of 500 to 1,000 were reported for motion picture production, distribution and allied services, theatrical producers, private colleges, universities, professional schools and junior colleges, machinery, equipment and supply manufacturing, and department stores.

Along with the strengthening in the job base, there was also substantial improvement in the unemployment situation. At 9.8 percent in the first quarter of 1978, the City's jobless rate was at its lowest point for any first quarter since 1974 when it was 7.6 percent. The 9.8 percent rate for the first quarter of this year compared with first quarter averages of 10.5 percent in 1977, 11.0 percent in 1976, and 10.1 percent in 1975.

Despite the substantial improvement in the local unemployment situation, the jobless rate in this area continues to be high compared to other areas. At the end of 1977, the unemployment rate in the New York area was 9.5 percent. Notably lower jobless rates were reported for 10 other important labor market areas.

Historically, high unemployment is typically accompanied by a slackening in demand resulting in less inflationary pressure. The latest annual inflation rate for the New York-Northeastern New Jersey area is 4.8 percent; the rates are higher for the same 10 areas with less unemployment. The sharpest inflation rates were found where the unemployment rates were lowest, the Minneapolis and Chicago areas with respective unemployment rates of 3.7 and 5.2 percent, and inflation rates of 8.3 percent and 7.6 percent.

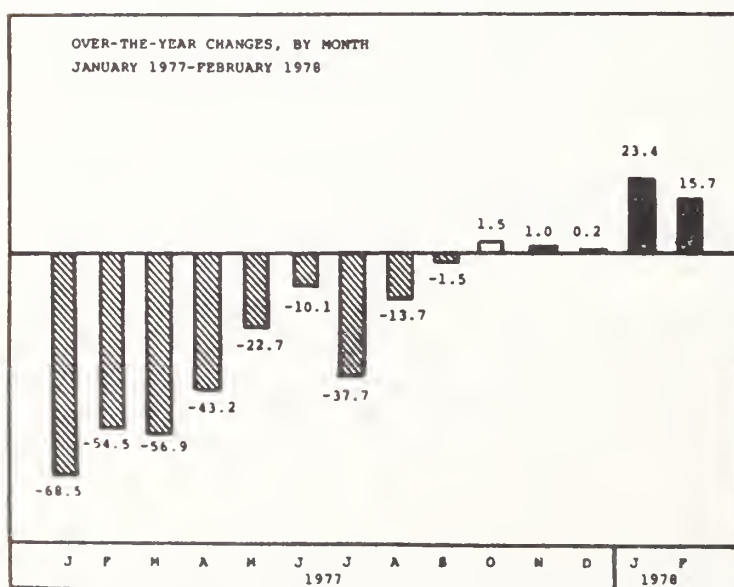
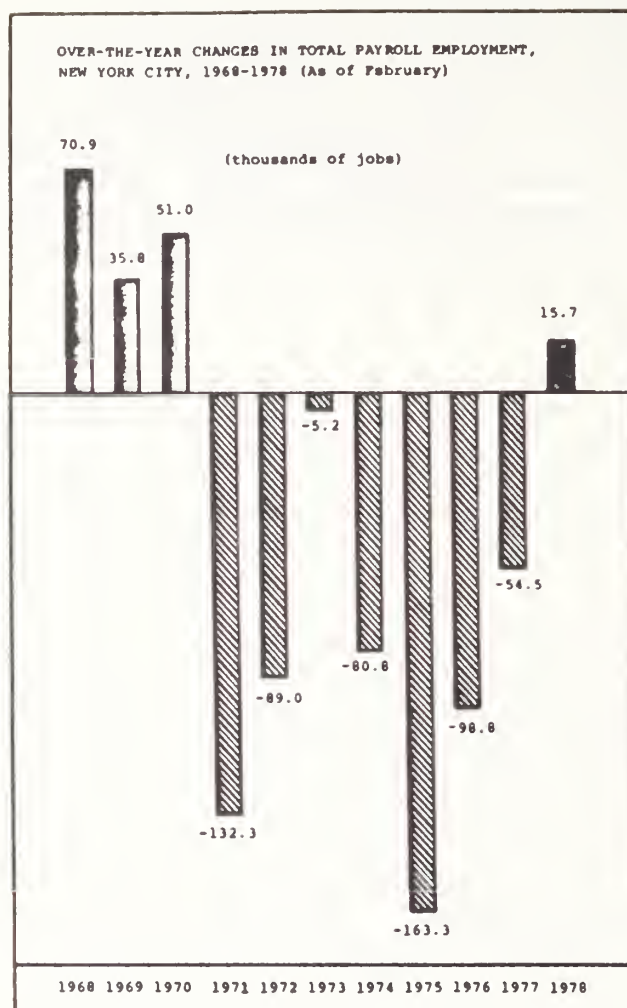
Following more than a decade of sharper than national average price rises in the New York-Northeastern New Jersey area, the local rate of inflation is now notably below the national rate. Between 1960 and 1969, the New York-Northeastern New Jersey consumer price index increased at an annual average rate of 2.7 percent compared to 2.4 percent for the nation. As the pace of inflation stepped up in the late 1960's and early 1970's, the gap about doubled from one-eighth higher to nearly one-third above between 1969 and 1972, with the national rate at 4.5 percent and the local rate at 5.9 percent. Between 1972 and 1976, the average local annual rate of inflation of 7.6 percent compared favorably with a national rate of increase of 8.0 percent. In the last year, February 1977-February 1978, the 4.8 percent local inflation rate was fully one-fourth below the national rise of 6.4 percent.

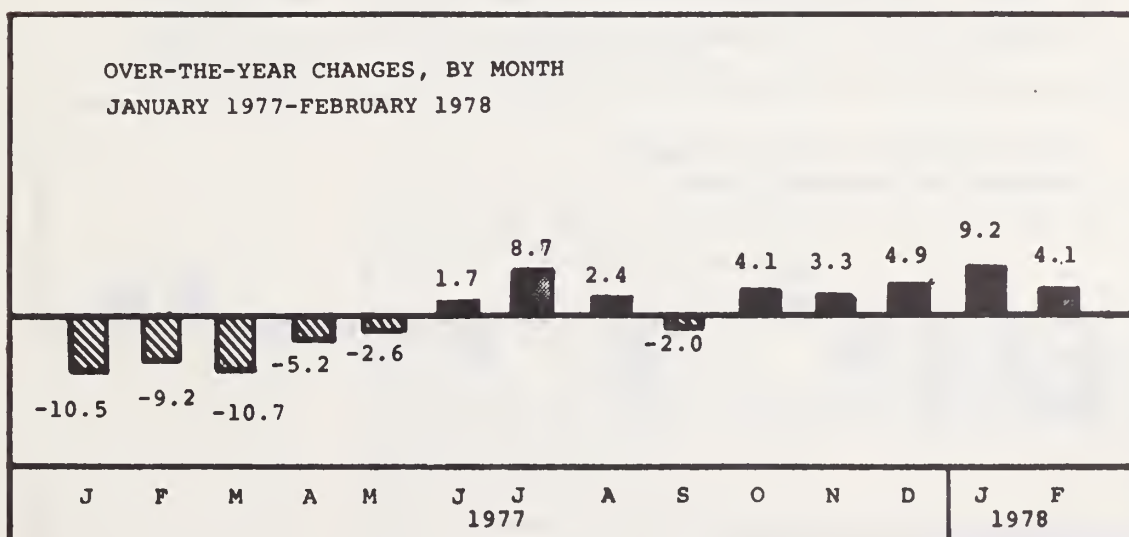
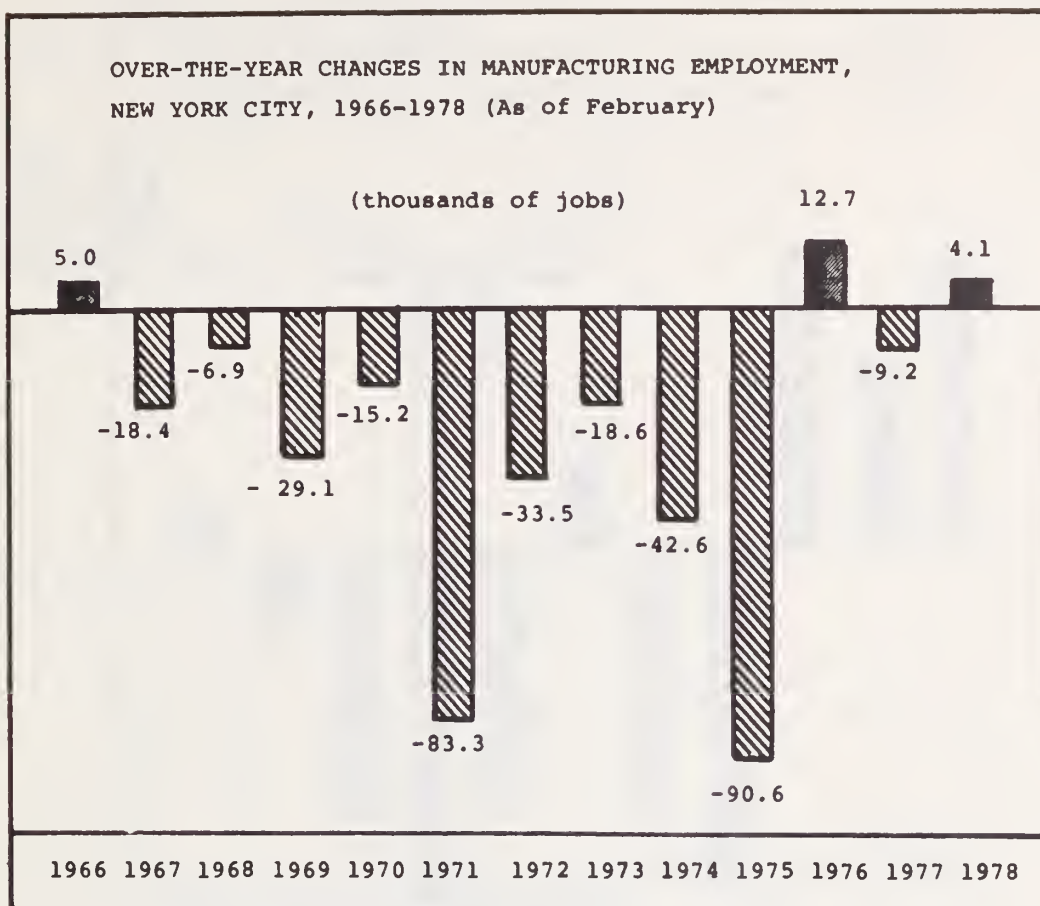
As with the inflation rate, recent trends suggest a shift to a more moderate local rate of earnings increase. Between 1960 and 1970, average hourly earnings of New York City factory production workers rose 50 percent, about in line with a 49 percent national increase, and above a 46 percent average rise for nine other major areas reviewed. In contrast, between 1970 and 1976, the 44 percent increase in New York City was below a 49 percent increase nationally and an average 59 percent increase for the nine other areas. Over the last year, the trend continued with the 5.7 percent rise for the City notably below an 8.5 percent increase nationally and an average 8.6 percent rise for the other areas.

There were also indications of a similar shift in white collar pay trends here compared to other areas. Between 1961 and 1974, office clerical pay levels in New York City's private sector rose at an average annual rate of 5.0 percent compared to 4.8 percent, on average, for nine other major areas. In 1975-76, and 1976-77, respective increases of 6.4 percent and 5.8 percent in New York City were below average rises of 8.2 percent and 7.3 percent for the other areas.

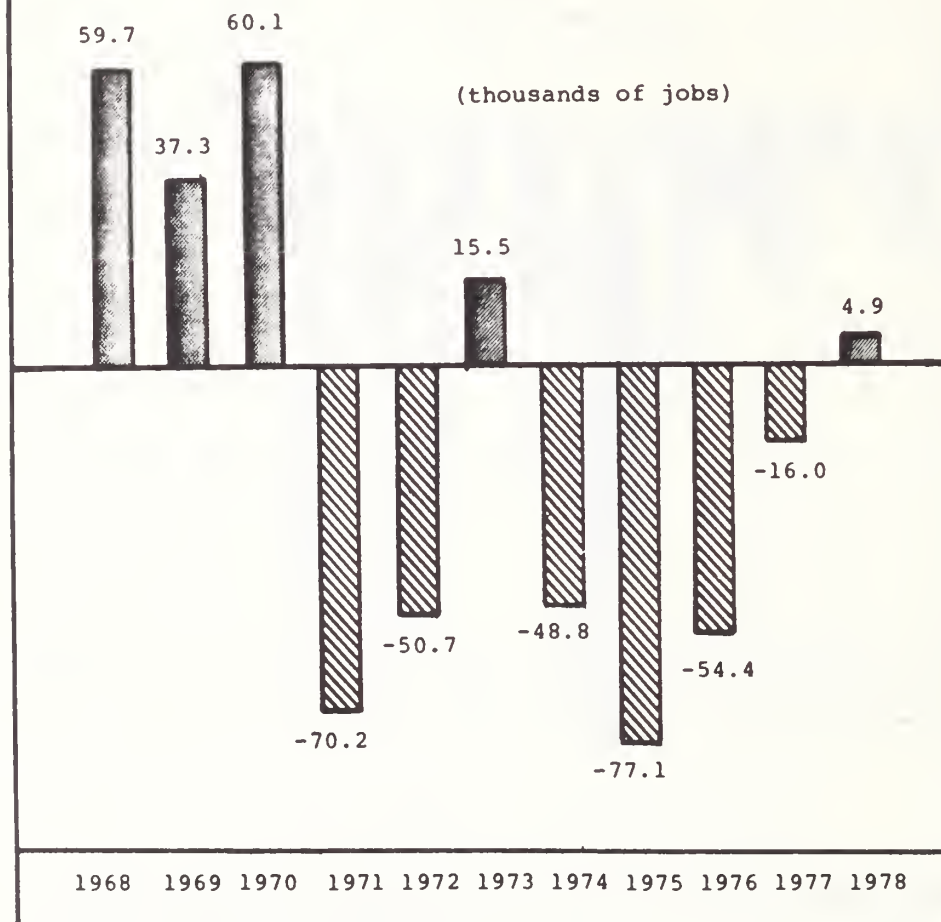
We should not expect an enormous surge of job growth in New York City during the decade ahead. Replacement opportunities alone should account for something like one and one-half million job openings in New York City during the decade 1974 to 1985. Thus, despite an anticipated loss of a third of a million jobs during this period, current projections suggest a total in excess of 1,100,000 jobs to be filled after balancing off the difference between replacement requirements and job loss.

The sharp drop in live births in the country as a whole as well as in New York City, where live births fell from 168,000 in 1961 to 109,000 in 1976, should result in a decline in younger workers seeking jobs in the middle 1980's. With some signs of stabilization in the employment picture already visible and with a decline of young job seekers in the middle 80's, we should see a better balance between supply and demand in the 80's than we have experienced in the past decade. The improvements will result from a lessening of the pressure on the supply side rather than any significant surge on the demand side.

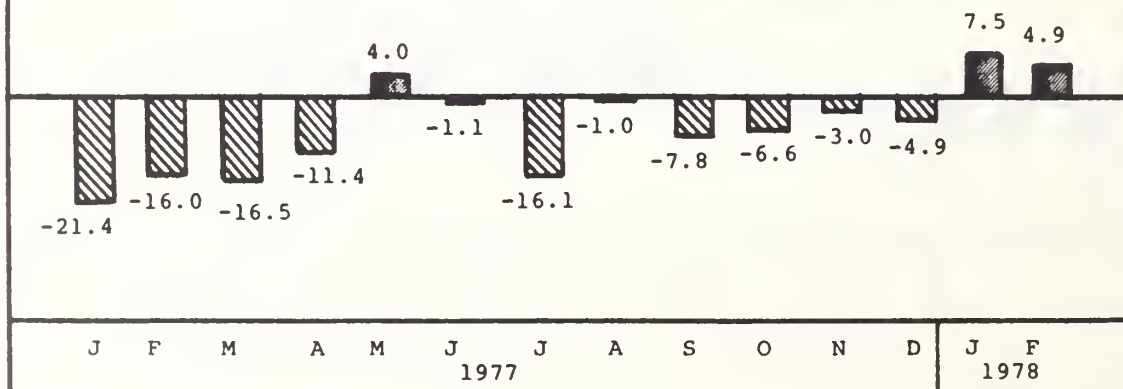


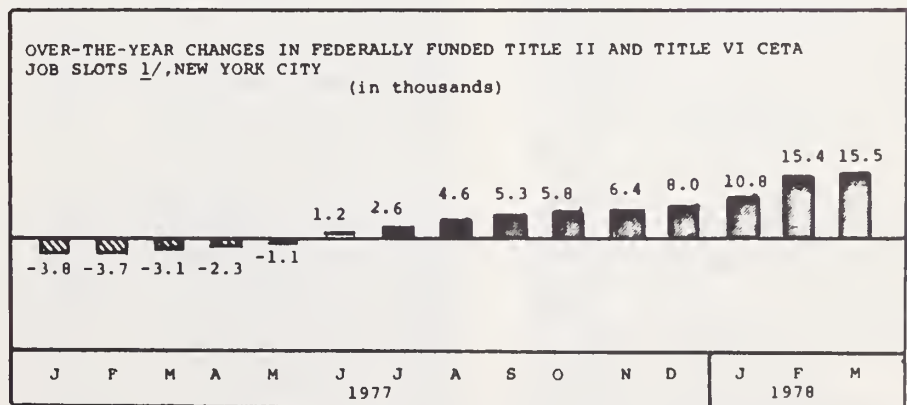
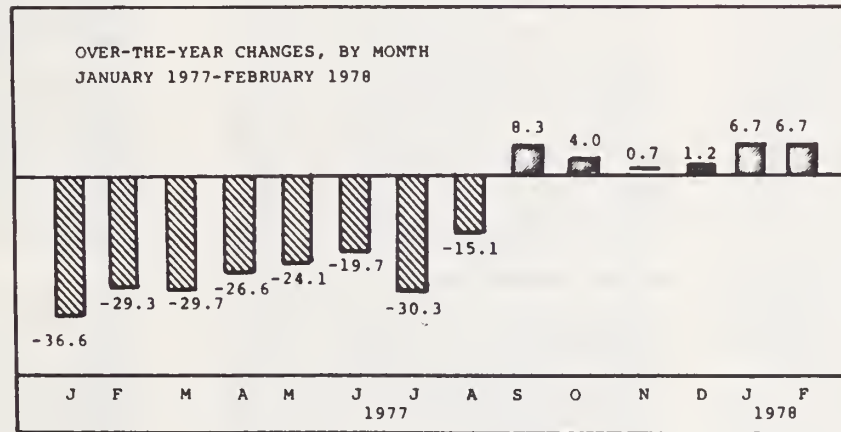
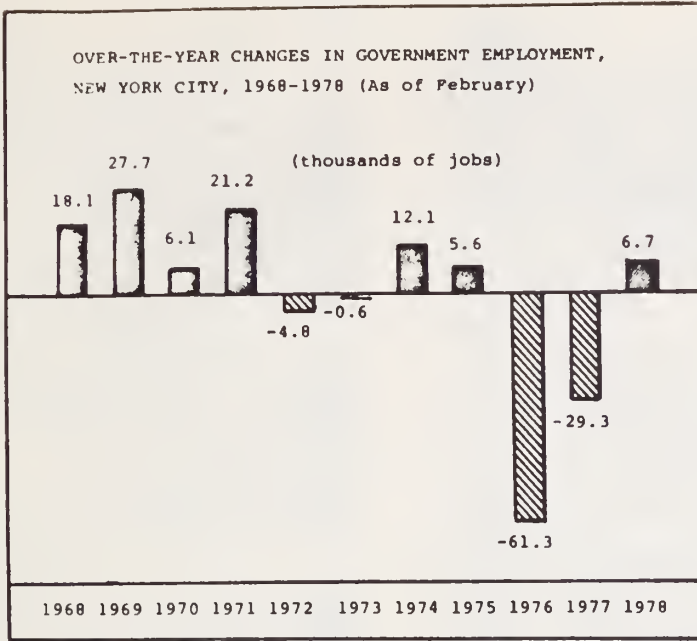


OVER-THE-YEAR CHANGES IN TOTAL PRIVATE NONMANUFACTURING
EMPLOYMENT, NEW YORK CITY, 1968-1978 (As of February)



OVER-THE-YEAR CHANGES, BY MONTH
JANUARY 1977-FEBRUARY 1978





1/ Refers to employees paid with funds for the Comprehensive Employment and Training Act, Titles II and VI. Virtually all of these employees are on government payrolls. Does not include summer youth employment primarily covered by Title III.

Source: U.S. Department of Labor, Employment and Training Administration.

SOURCES OF JOB CHANGE IN NEW YORK CITY BY INDUSTRY, 1969-1975

Industry	Change 1969-75 (thousands)	Industry	Change 1969-75 (thousands)	Industry	Change 1969-75 (thousands)
Security and commodity brokers...	-37.7	Drugs.....	-3.3	Stone, clay and glass products, n.e.c.....	-1.0
Water transportation.....	-23.3	Real estate.....	-3.3	General industrial machinery.....	-1.0
Dresses.....	-22.1	Miscellaneous plastics products..	-3.2	Nonferrous rolling, drawing and extruding.....	-1.0
Construction-special trade contractors.....	-22.0	Miscellaneous services.....	-3.2	Service industry machines.....	-0.5
Personal services.....	-21.7	Soap, cleaning preparations, cosmetics, etc.....	-3.2	Metalworking machinery and equipment.....	-0.5
Eating and drinking places.....	-20.0	Chemicals and allied products, n.e.c.....	-3.1	Surgical medical and dental equipment.....	-0.5
Miscellaneous wholesalers, n.e.c.	-19.8	Automotive dealers and service stations.....	-3.1	Automobile repair, automobile services and garages.....	-0.5
Miscellaneous business services..	-17.3	Books.....	-3.1	Paper mills, excluding building paper mills.....	-0.5
Apparel and accessories, retail trade.....	-15.7	Corsets and allied garments.....	-3.0	Elementary and secondary schools.	-0.5
Suits, skirts, coats (excluding rain or fur).....	-15.3	Curtains, draperies and house- furnishings.....	-2.9	Transportation services.....	-0.5
Insurance carriers.....	-15.1	Miscellaneous apparel, n.e.c.....	-2.9	Aircraft and parts.....	-0.5
Federal government.....	-14.1	Mechanical measuring and control devices.....	-2.7	Dyeing and finishing excluding wool and knit goods.....	-0.5
Motor freight transportation and storage.....	-11.2	Furniture, home furnishings and equipment retail trade.....	-2.7	Photographic equipment and supplies.....	-0.5
Dry goods and apparel, wholesale.	-10.5	Household appliances.....	-2.7	Cutlery, hand tools and general hardware.....	-0.5
Men's and boys' suits, coats and overcoats.....	-10.5	Leather products and leather, n.e.c.....	-2.7	Building, materials, hardware, farm equipment, retail trade...	-0.5
Machinery, equipment and supplies, wholesale trade.....	-9.7	Textile mill products, n.e.c.....	-2.5	Engines and turbines.....	-0.5
Hotels and lodging places.....	-9.7	Office, computing and accounting machines.....	-2.5	Shirts (exclusive work), collars and nightwear.....	-0.5
General merchandise stores.....	-9.4	Hats, caps and millinery.....	-2.4	Tobacco manufacturers.....	-0.5
Miscellaneous manufactured industries, n.e.c.....	-8.7	Pens, pencils, office and artists' materials.....	-2.3	Furniture and fixtures, n.e.c....	-0.5
Commercial printing and business forms.....	-8.3	Motor vehicles and motor vehicle equipment.....	-2.3	Concrete, gypsum and plaster products.....	-0.5
Air transportation.....	-8.1	Petroleum refining and related industries.....	-2.3	Canned and preserved food, except meats.....	-0.5
Miscellaneous fabricated textile products, n.e.c.....	-7.8	Lumber and wood products, executive furniture.....	-2.2	Grain mill products.....	-0.5
Costume jewelry, novelties, and notions.....	-7.6	Confectionery and related products.....	-2.2	Ophthalmic goods.....	-0.5
Handbags and other personal leather goods.....	-7.1	Jewelry, silverware and plated ware.....	-2.2	Electrical industrial apparatus..	-0.5
Bakery products.....	-6.7	Rubber products.....	-2.2	Nonferrous foundries.....	-0.5
Railroad transportation.....	-6.1	Metal stampings.....	-2.1	Nonbuilding construction-general contractors.....	-0.5
Footwear, except rubber.....	-5.7	Electrical machinery, n.e.c.....	-2.1	Transportation equipment, n.e.c..	-0.5
Bookbinding and related industries.....	-5.6	Private educational services, n.e.c.....	-2.1	Holding and other investment companies.....	-0.5
Toys, amusement, sporting, and athletic goods.....	-5.6	Meat products.....	-1.9	Plastics and synthetics, except glass.....	-0.5
Dairy products.....	-5.5	Amusement and recreation, except motion pictures.....	-1.8	Iron and steel foundries.....	-0.5
Newspapers.....	-5.4	Men's and boys' furnishings, working clothing, etc., n.e.c..	-1.8	Primary metal industries, n.e.c..	-0.5
Underwear and nightwear.....	-5.2	Watches and clocks.....	-1.7	Crude petroleum and natural gas..	-0.5
Girls', children's and infants' outerwear.....	-5.1	Coating, engraving and allied service.....	-1.6	Construction and related machinery.....	-0.5
Drugs, chemical and allied products, wholesale.....	-5.1	Ordnance and accessories.....	-1.6	Credit agencies other than banks.	-0.5
Beverage industries.....	-5.0	Broad woven fabric mills.....	-1.6	Farm products - raw materials, wholesale.....	-0.5
Fabricated metal products, n.e.c.	-5.0	Men's and boys' separate trousers.....	-1.6	Combinations of real estate insurance, loans, law offices..	-0.5
Communication.....	-5.0	Engineering and scientific instruments.....	-1.6	Sugar.....	-0.5
Motion pictures.....	-5.0	Women's blouses, waists and shirts.....	-1.6	Quarrying and non-metallic mining.	-0.5
Communication equipment.....	-4.9	Local and interurban passenger transit.....	-1.6	Metal and coal mining.....	-0.5
Paperboard containers and boxes..	-4.8	Miscellaneous food and kindred products.....	-1.5	Dress and work gloves.....	-0.5
Electric lighting and wiring equipment.....	-4.8	Radio and television receiving sets.....	-1.5	Miscellaneous repair services...	-0.5
Food stores.....	-4.8	Nonelectrical machinery, n.e.c....	-1.5	Apparel belts.....	-0.5
Electrical goods, wholesale trade.....	-4.5	Partitions; office and store fixtures.....	-1.4	Ship, boat building and repairing.....	+0.5
Periodicals.....	-4.5	Miscellaneous retail stores, n.e.c.....	-1.4	Forestry and fisheries.....	+0.5
Converted paper products, excluding boxes.....	-4.5	Abrasive, asbestos and miscel- laneous mineral products.....	-1.3	Paper and allied products, n.e.c.	+0.5
Industrial inorganic and organic chemicals.....	-4.5	Hardware, plumbing and heating goods wholesale.....	-1.3	Museums, art galleries, botanical and zoological gardens.....	+0.5
Higher education institutions....	-4.4	Motor vehicles and automotive equipment, wholesale.....	-1.3	Insurance agents and brokers.....	+0.5
Knitting mills.....	-4.3	Nonferrous smelting and refining.	-1.2	Electric, gas and sanitary services.....	+1.0
Household furniture.....	-4.2	Heating equipment and plumbing fixtures.....	-1.1	Legal services.....	+5.0
Building construction-general contractors.....	-4.1	Blast furnace and basic steel products.....	-1.1	Women's and misses' outerwear, n.e.c.....	+5.0
Fur goods.....	-4.0			Nonprofit membership organi- zations.....	+5.0
Special industry machinery.....	-3.8			State government.....	+9.0
Printing, publishing and allied industries, n.e.c.....	-3.5			Banking.....	+13.0
Grocery and related products.....	-3.5			Local government.....	+29.0
Service industries for the printing trade.....	-3.4			Medical and other health services.....	+44.0
Fabricated structural metal products.....	-3.4				
Electronic components and accessories.....	-3.3				

SOURCES OF JOB CHANGE IN NEW YORK CITY BY INDUSTRY, 1975-1977

Industry	Change 1975-77 (thousands)	Industry	Change 1975-77 (thousands)	Industry	Change 1975-77 (thousands)
Women's and misses' and juniors' outerwear, n.e.c.	+5.7	Federal government, non-defense	+0.2	Agricultural and miscellaneous chemical products, manufacturing	-0.3
Legal services	+3.3	Scientific instruments, measuring and controlling, surgical, medical and dental instruments and supplies, manufacturing	+0.1	Drugs, manufacturing	-0.3
State government, other than education	+3.1	Retail stores, n.e.c.	+0.1	Farm, construction, mining, and miscellaneous machinery and equipment except electrical	-0.3
News syndicates and personnel supply services	+3.0	Men's, youths' and boys' shirts, except workshirts and nightwear	+0.1	Radio and television receiving equipment, manufacturing	-0.3
Eating and drinking places	+2.6	Knit fabric mills, n.e.c.	+0.1	Drugs and sundries, wholesale	-0.3
Commodity contracts brokers and dealers, security and commodity exchanges and services	+2.5	Miscellaneous fabricated metal products	+0.1	Metals and minerals, except petroleum, wholesale	-0.3
Miscellaneous business services	+2.3	Musical instruments	+0.1	Men's and women's clothing and accessory stores	-0.3
Jewelry, silverware, office and artists' materials, novelties, and miscellaneous notions	+2.2	Services, n.e.c.	+0.1	Retail motor vehicle dealers (new and used) and auto and home supply stores	-0.4
Theatrical producers (except motion pictures), bands, orchestras, and entertainers	+1.9	Miscellaneous nondurable goods, wholesale	+0.1	Sheet metal work	-0.4
Mutual savings banks	+1.6	Girls', children's and infants' outerwear	+0.1	Raincoats and other waterproof outerwear	-0.4
Individual and family social services, job training and vocational rehabilitation services, and social services, n.e.c.	+1.6	Business associations and professional membership organizations	+0.1	Fuel and ice dealers, retail	-0.4
Commercial printing, lithographic	+1.5	Iron and steel forgings	+0.1	Operative builders	-0.4
Outpatient care facilities	+1.5	Dairy products	0	Drug and proprietary stores	-0.4
Ship and boat building and repairing	+1.4	Hats, caps, and millinery	0	Optical and ophthalmic instruments and lenses, photographic equipment and supplies, manufacturing	-0.4
Current carrying wiring devices	+1.4	Recreational, hobby goods, toys and supplies, wholesale	0	Building materials and garden supplies, wholesale	-0.4
Miscellaneous plastic products	+1.4	Education, state government	0	Gasoline service stations	-0.4
Air transportation, certificated carriers	+1.4	Special industry machinery, manufacturing	0	Fire, marine and casualty insurance	-0.4
Advertising	+1.2	Gas, water, steam, and sanitary services	0	Liquor stores and miscellaneous shopping goods stores	-0.4
Women's, misses' and juniors' blouses, and shirts	+1.1	Lumber and wood products, except furniture	0	Leather and sheep lined clothing	-0.5
Credit agencies other than banks, holding and other investment offices	+1.1	Fur goods	0	Greeting card and other miscellaneous publishing	-0.5
Security brokers, dealers	+1.1	Household appliances, manufacturing	0	Roofing and sheet metal work	-0.5
Periodicals: publishing, and printing and publishing	+1.0	Miscellaneous electrical machinery, equipment, and supplies	0	Motor vehicle parts and services, wholesale	-0.5
Transportation services	+1.0	Robes and dressing gowns	0	Hardware and heating equipment and supplies, wholesale	-0.5
Miscellaneous services	+1.0	Paper and paper products, wholesale	0	Apparel, piece goods, and notions, wholesale	-0.5
Residential care	+0.9	Metal mining	0	Groceries and related products, wholesale	-0.5
Miscellaneous durable goods, wholesale	+0.9	Rubber products, manufacturing	0	Elementary and secondary schools	-0.6
Computer and data processing services	+0.9	Boat, recreational trailers, motorcycle, and miscellaneous automotive dealers	0	Petroleum and products, wholesale	-0.6
Men's, youths' and boys' suits, coats and overcoats	+0.8	Chocolate and cocoa products	0	Watches, clocks, and parts, manufacturing	-0.6
Soap, detergents, and cleaning preparations, perfumes, cosmetics, and other toilet preparations	+0.8	Other health services	0	Footwear, except rubber	-0.6
Insurance agents, brokers, and service	+0.8	Miscellaneous apparel and accessory stores	0	Miscellaneous merchandise stores	-0.6
Beer, wine and distilled alcoholic beverages, wholesale	+0.7	Other private education services	0	Concrete work	-0.6
Engineering, architectural, and surveying services	+0.7	Dance halls, studios, and miscellaneous amusement and recreation services	0	Blast furnaces	-0.6
Miscellaneous repair services	+0.6	General building contractors, nonresidential buildings	0	Dyeing and finishing textiles, except wool fabrics and knit goods	-0.6
Handbags and other personal leather goods	+0.6	Grain mill products	0	Women's, misses', children's, and infants' undergarments	-0.6
Converted paper and paperboard products, except containers and boxes	+0.6	Heating equipment, except electric and plumbing fixtures, manufacturing	0	Telephone and telegraph apparatus	-0.7
Pleating, decorative and novelty stitching	+0.5	Fabricated plate work	0	Carpentering	-0.7
Housefurnishings	+0.5	Gloves, apparel and accessories, n.e.c.	0	Industrial inorganic chemicals	-0.7
Holding and other investment offices	+0.5	Plastics materials and synthetic resins and rubber, synthetic and other man-made fibers, except glass	0	Concrete, gypsum, plaster products	-0.7
Air transportation, noncertificated carriers and services related to air transportation	+0.5	Bowling alleys and pool establishments	0	Lumber and other construction materials, wholesale	-0.7
Pulp, paperboard, building paper and board mills	+0.5	Miscellaneous nonmetallic mineral products	0	Department stores	-0.7
Miscellaneous business machines, manufacturing	+0.5	Engraving plate printing and commercial printing, gravure	0	Colleges, universities, professional schools, and junior colleges	-0.7
Political organizations and membership organizations, n.e.c.	+0.5	Metal cans and containers, screw machine products, and ordnance	0	Furniture and fixtures, excluding partitions, lockers, office and store fixtures	-0.7
Motion picture production and distribution and allied services	+0.5	Farm-product raw materials, wholesale	0	Bread and other bakery products, excluding cookies and crackers	-0.7
Medical and dental laboratories, and miscellaneous health services	+0.4	Public warehousing and terminal maintenance facilities	-0.1	Nonstore retailers	-0.7
Leather products manufacturing, n.e.c.	+0.4	Metals, nonferrous foundries (castings)	-0.1	Miscellaneous food stores	-0.7
Men's, youths' and boys' underwear neckwear and trousers	+0.4	Miscellaneous metal products	-0.1	Painting and decorating contractors	-0.8
Railroad transportation	+0.4	Primary smelting and refining of nonferrous metals	-0.1	Petroleum refining and related industries	-0.8
Radio and television transmitting equipment and apparatus, manufacturing	+0.4	Communication services, n.e.c.	-0.1	Electrical goods, wholesale	-0.8
Cutlery, hand tools, and general hardware	+0.4	Candy and other confectionery products	-0.1	Newspapers, publishing, publishing and printing	-0.8
Flat glass, glass and glassware, pressed or blown, and miscellaneous clay and stone products	+0.4	Canned and preserved fruits and vegetables	-0.1	Masonry and plastering contractors	-0.9
Accounting, auditing, and bookkeeping services	+0.4	General industrial machinery and equipment	-0.1	Consumer credit reporting and adjustment and collection agencies	-0.9
Knit outerwear mills	+0.4	Paints, varnishes, lacquers, enamels and allied products	-0.1	Combination utility services	-0.9
Refrigeration and service industry machinery	+0.4	Motor vehicles and motor vehicle equipment, manufacturing	-0.1	Women's, misses' and juniors' suits, skirts, and coats	-0.9
Book printing and publishing	+0.4	Electrical industrial apparatus	-0.1	Motion picture theatres, except drive-in	-1.0
Men's, youths' and boys' clothing, n.e.c.	+0.3	Anthraxite, bituminous coal and lignite mining, oil and gas extraction	-0.1	Hotels, motels, and tourist courts	-1.0
Partitions, office and store fixtures, manufacturing	+0.3	Miscellaneous food preparations and kindred products	-0.1	Furniture and homefurnishings stores	-1.1
Paperboard containers and boxes	+0.3	Narrow fabrics and other smallwares mills	-0.1	Primary metal industries	-1.1
Business credit institutions and mortgage bankers and brokers	+0.3	Service industries for the printing trade	-0.1	Personal services	-1.1
Savings and loan associations and miscellaneous financial institutions	+0.3	Blankbooks, looseleaf binders, and book-binding and related work	-0.1	Cookies and crackers, manufacturing	-1.2
Canvas and other fabricated textile products, n.e.c.	+0.3	Furniture and home furnishings, wholesale	-0.1	General medical and surgical hospitals	-1.2
Toys and amusement, sporting, and athletic goods, manufacturing	+0.3	Iron and steel foundries	-0.1	Chemicals and allied products, wholesale	-1.3
Accident and health insurance, medical service plans, surety and title insurance, pension, health and welfare funds	+0.3	Quarrying	-0.1	Miscellaneous special trade contractors	-1.3
Industrial organic chemicals, manufacturing	+0.2	Federal reserve banks, trust companies not engaged in deposit banking, and miscellaneous financial activities	-0.1	Family clothing stores	-1.3
Coating and engraving	+0.2	Fabricated metal products, except machinery and transportation equipment	-0.1	Trucking, local and long distance	-1.5
Museums, art galleries, botanical and zoological gardens	+0.2	Services to dwellings and other buildings	-0.1	General building contractors, residential buildings	-1.6
Animal services and landscape and horticultural services	+0.2	Motor vehicle passenger transportation, except taxicabs	-0.2	Women's, misses' and juniors' dresses	-1.6
Cane sugar and chewing gum, manufacturing	+0.2	Psychiatric and specialty hospitals, except psychiatric	-0.2	Heavy construction, except highway and street	-1.8
Tobacco manufacturers	+0.2	Electronic computing equipment, manufacturing	-0.2	Civic, social, and fraternal associations	-1.9
Commercial sports	+0.2	Combinations of real estate, insurance, loans, law offices	-0.2	Electrical contractors	-2.2
Electronic components and accessories	+0.2	Aircraft and parts, manufacturing	-0.2	Taxicabs	-2.3
Meat products	+0.2	Rooming and boarding houses and membership organization hotels	-0.2	Machinery, equipment, and supplies, wholesale	-2.3
Mailing, reproduction, commercial art and photography, and stenographic services	+0.2	Apparel belts	-0.2	Child day care services	-2.4
Automotive repair services and garages	+0.2	Rolling, drawing, and extruding of nonferrous metals	-0.2	Grocery stores	-2.7
Radio and television broadcasting	+0.2	Elastic lamps, noncurrent carrying wiring devices, lighting fixtures, vehicular lighting equipment and lighting equipment, n.e.c.	-0.2	Commercial printing, letterpress and screen	-2.7
		Labor unions and similar organizations	-0.7	Water transportation	-2.7
		Nursing and personal care facilities	-0.2	Beverages, manufacturing	-2.7
		Noncommercial educational, scientific, and research organizations	-0.2	Plumbing, heating, except electric, and air conditioning contractors	-2.7
		Broad woven fabric mills	-0.3	Life insurance	-2.7
		Highway and street construction	-0.3	Federal government, defense	-2.7
				Post offices	-2.7
				Real estate	-2.7
				Commercial and stock savings banks	-2.7
				Telephone and telegraph communication	-2.7
				Education (local)	-2.7
				Local government, other than education	-2.7

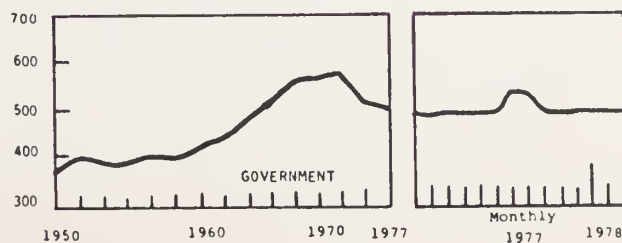
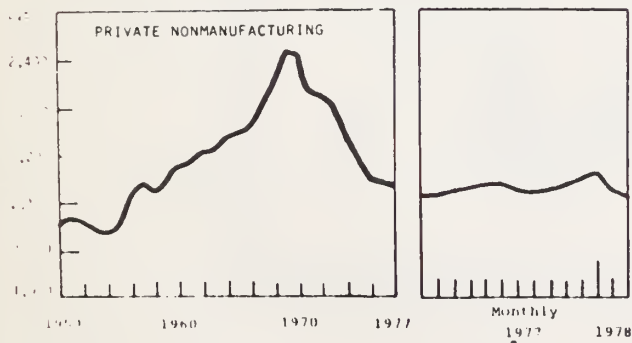
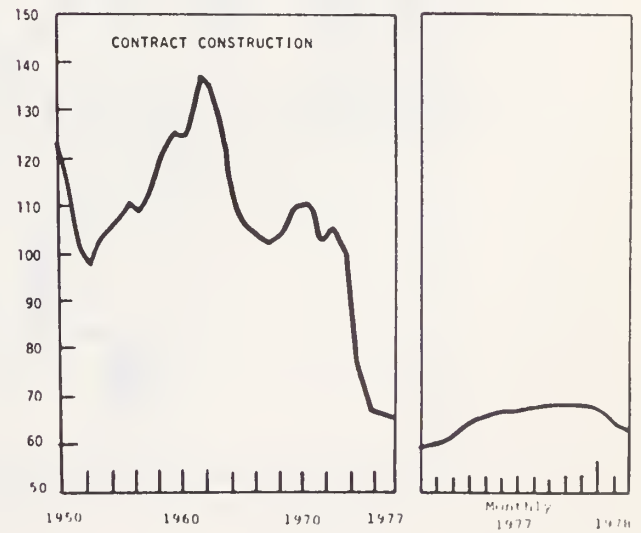
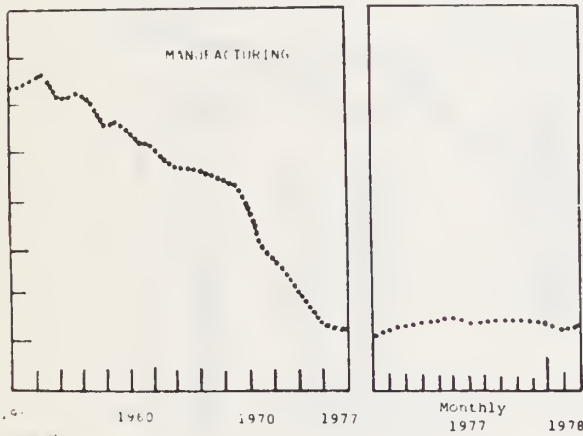
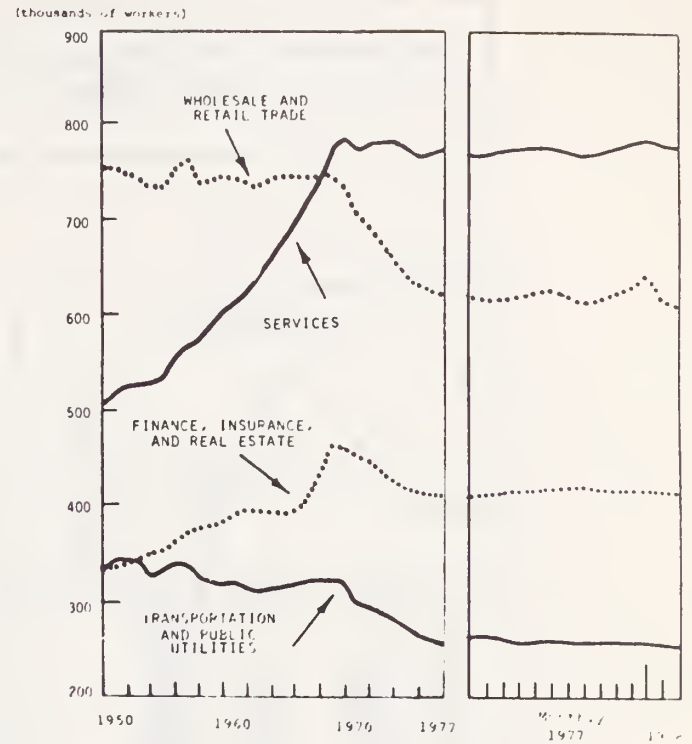
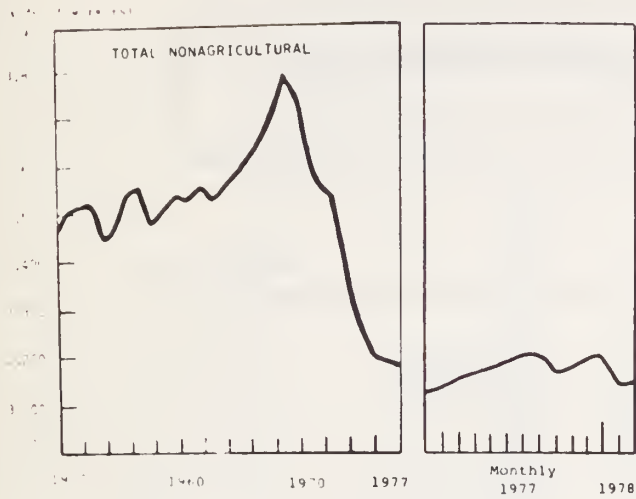
New York City industries by
employment change status,
February 1977-February 1978

Status	Number of industries
Total.....	244
Increases.....	114
Unchanged.....	47
Declines.....	83

NEW YORK CITY INDUSTRIES WITH EMPLOYMENT GAINS OF 500 OR MORE,
FEBRUARY 1977 - FEBRUARY 1978

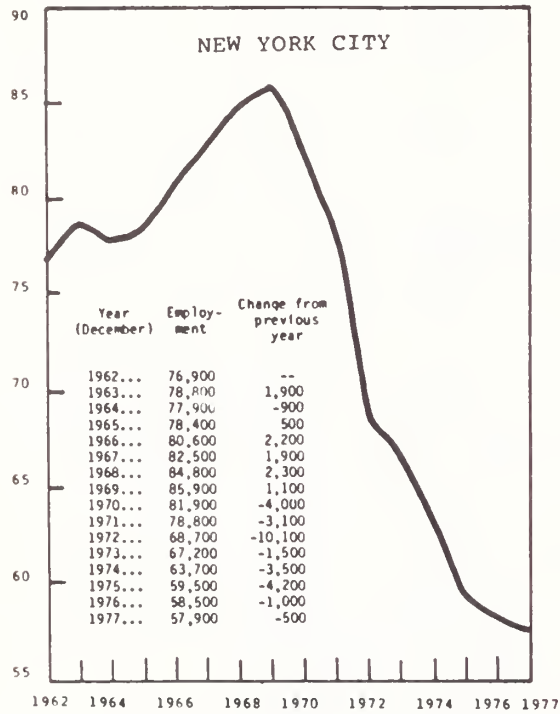
<u>Industry</u>	<u>Increase</u>
Local public education	4,300
Women's, misses' and juniors' outerwear, excluding blouses, shirts, dresses, suits, skirts and coats	2,300
Advertising services	1,600
Legal services	1,400
Periodicals, publishing and printing	1,300
Painting and decorating	1,200
Mutual savings banks	1,100
Insurance agents, brokers and services	1,100
Personal services	1,100
General building contractors, nonresidential buildings	1,000
Motion picture production, distribution and allied services	900
Theatrical producers (except motion pictures)	900
Colleges, universities, professional schools and junior colleges	800
Machinery, equipment and supply manufacturing	800
Department stores	700
Highway and street construction	700
Jewelry, silverware, office and artists' materials, novelties, buttons and miscellaneous notion manufacturing	700
Radio and television transmitting, equipment and apparatus manufacturing	700
Transportation services	600
Engineering, architectural and surveying services	600
Converted paper and paperboard products manufacturing, except containers and boxes	600
Automotive repair, services and garages	600
Commercial printing, lithographic	500
Museums, art galleries, botanical and zoological gardens	500
Pleating, decorative and novelty stitching, manufacturing	500

New York City employment trends

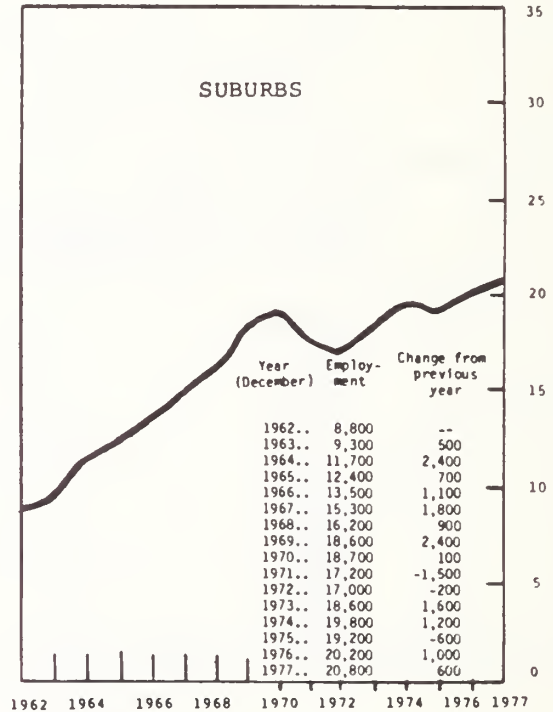


EMPLOYMENT CHANGES IN MANUFACTURING ADMINISTRATIVE OFFICES,
NEW YORK CITY AND SUBURBS, 1962-1977

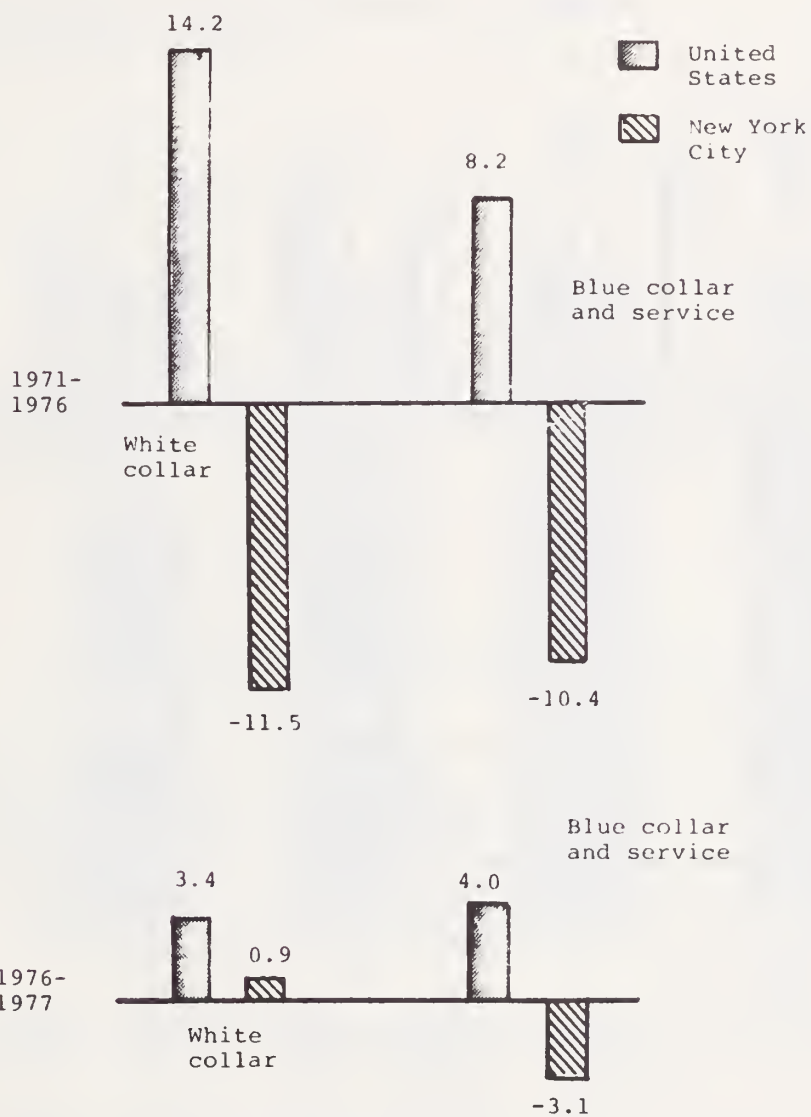
Thousands of jobs



Thousands of jobs



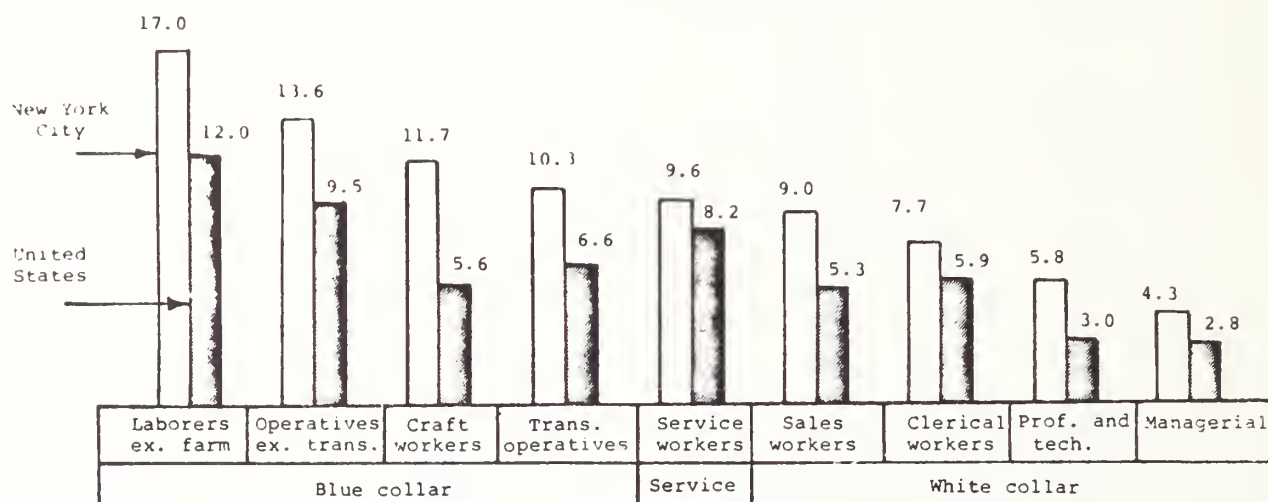
PERCENT CHANGE IN EMPLOYMENT BY OCCUPATION, UNITED STATES
AND NEW YORK CITY, 1971-1977



THE UNEMPLOYMENT RATE FOR PROFESSIONAL, TECHNICAL AND MANAGERIAL WORKERS
IN NEW YORK CITY IS LOWER THAN FOR ALL OTHER OCCUPATIONAL GROUPS, BUT

IN EVERY OCCUPATIONAL GROUP THE UNEMPLOYMENT RATE IS
HIGHER IN NEW YORK CITY THAN FOR THE NATION

1977 annual averages

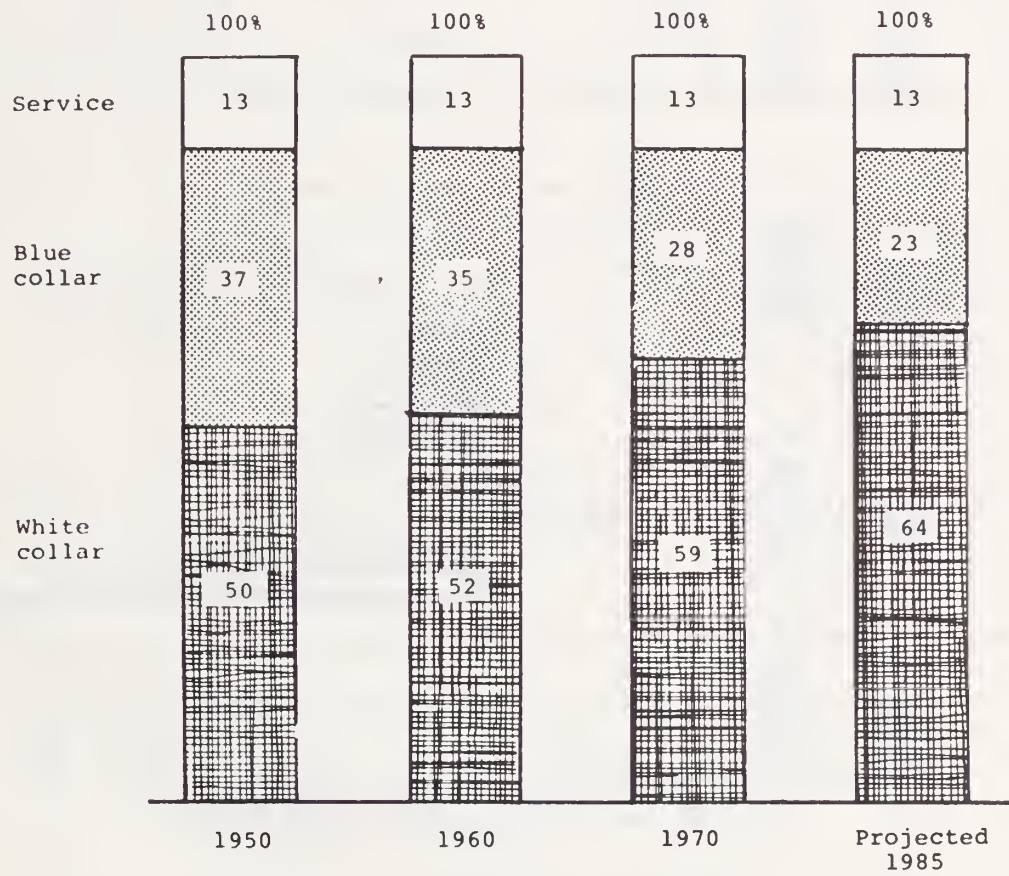


Resident unemployment, by major occupational group, United States and
New York City, 1977 annual averages

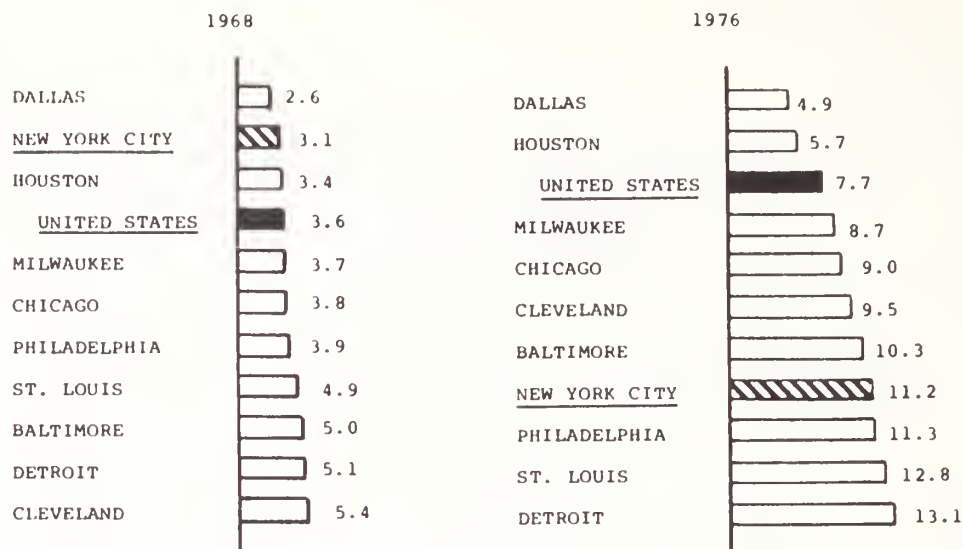
(numbers in thousands)

Occupational group	Number of unemployed		Unemployment rate		New York City rate as a percent of the United States
	United States	New York City	United States	New York City	
Total -----	6,855	306	7.0	10.0	142.9
White collar -----	2,024	115	4.3	6.6	153.5
Professional and technical -----	426	29	3.0	5.8	193.3
Managerial -----	276	13	2.8	4.3	153.6
Sales -----	318	15	5.3	9.0	169.8
Clerical -----	1,004	57	5.9	7.7	130.5
Blue collar -----	2,656	103	8.1	13.1	161.7
Craft workers -----	708	31	5.6	11.7	208.9
Operatives, exc. transportation -----	1,087	41	9.5	13.6	143.2
Transportation operatives -----	246	11	6.6	10.3	156.1
Laborers, exc. farm ---	616	19	12.0	17.0	141.7
Service workers -----	1,102	48	8.2	9.6	117.1

PERCENT DISTRIBUTION OF OCCUPATIONAL EMPLOYMENT,
NEW YORK CITY, 1950-1985



COMPARATIVE UNEMPLOYMENT RATES, UNITED STATES, NEW YORK AND
SELECTED MAJOR CITIES, 1968 AND 1976



UNEMPLOYMENT RATES IN NEW YORK CITY, BY SEX AND RACE, 1977

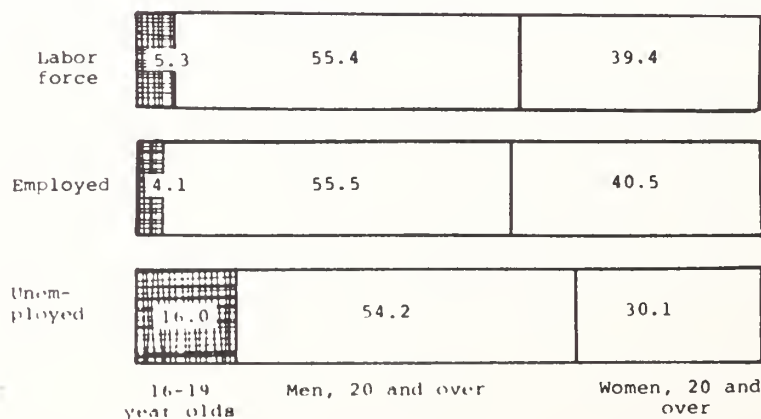
ADULTS, 20 YEARS AND OVER

Women, white	7.5	
WOMEN, TOTAL	7.7	
Women, black and other races	7.9	
Men, white	9.2	
MEN, TOTAL	9.8	
Men, black and other races		12.1

TEENAGERS, 16-19 YEARS OLD, BOTH SEXES

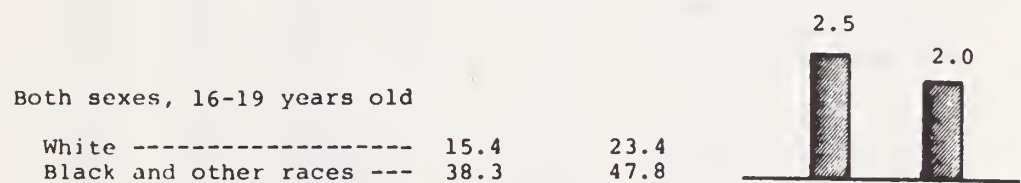
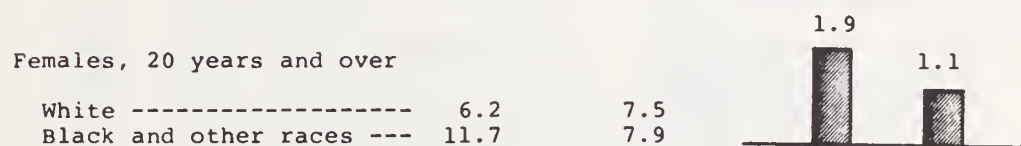
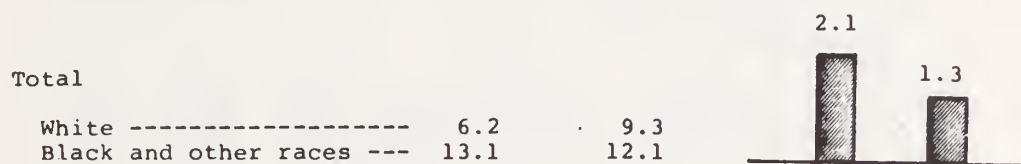
White	23.4	
TOTAL	30.2	
Black and other races		47.8

WHILE YOUTHS ACCOUNTED FOR ONLY 5.3 PERCENT OF NEW YORK CITY'S LABOR FORCE AND 4.1 PERCENT OF THE EMPLOYED, THEY CONSTITUTED 16.0 PERCENT OF THE UNEMPLOYED IN 1977



UNEMPLOYMENT RATES, UNITED STATES AND NEW YORK CITY,
BY SEX, AGE, AND RACE, 1977

Sex, age, and race	Unemployment rate		Ratio: Black to white	
	United States	New York City	United States	New York City

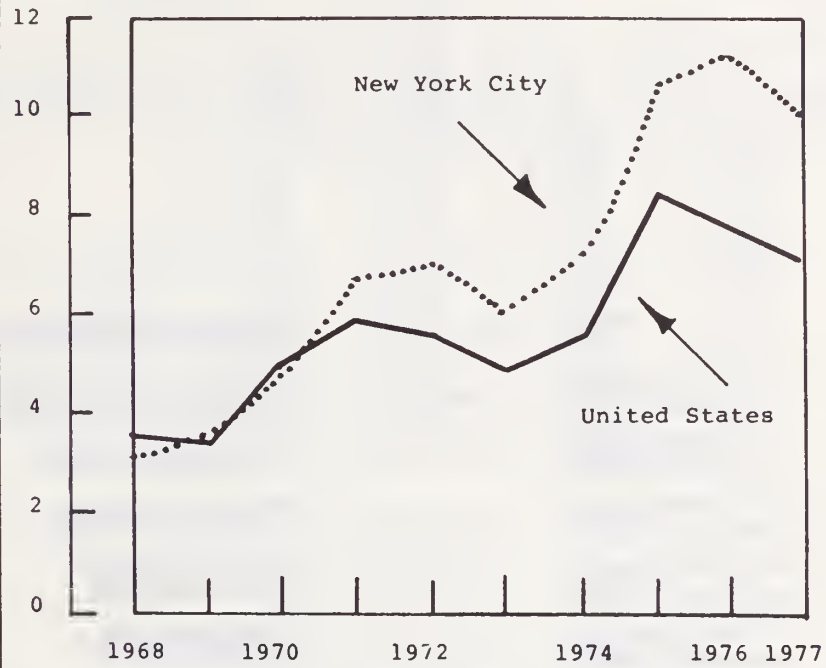


Labor force participation rates by age, sex and race,
United States and New York City, 1969-78

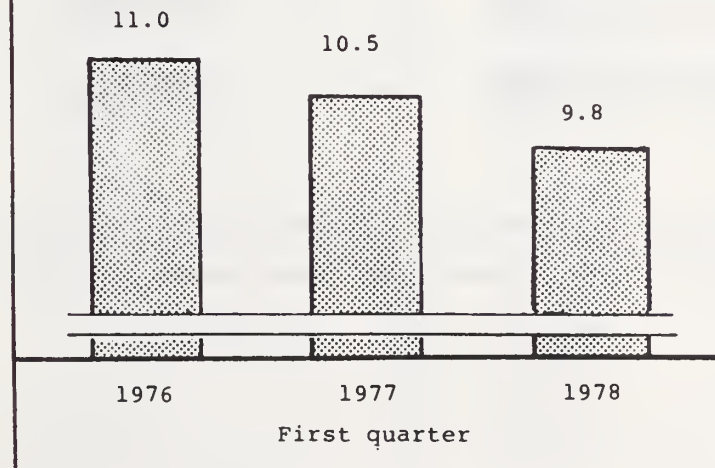
Age, sex and race	1969	1976	1977	1st quarter 1977	1st quarter 1978
<u>United States</u>					
Total.....	60.1	61.6	62.3	61.3	62.1
Male, 20 years and over....	82.8	79.8	79.7	79.4	79.3
Female, 20 years and over..	42.7	47.0	48.1	47.7	49.0
Both sexes, 16-19 years....	49.4	54.6	56.2	50.3	52.0
White.....	59.9	61.9	62.6	61.6	62.3
Male, 20 years and over....	83.0	80.3	80.3	79.8	79.7
Female, 20 years and over..	41.5	46.2	47.4	47.0	48.2
Both sexes, 16-19 years....	50.6	57.6	59.4	53.7	54.9
Black and other races.....	62.1	59.4	60.0	58.7	60.6
Male, 20 years and over....	81.4	75.6	75.6	75.9	75.9
Female, 20 years and over..	52.0	52.6	53.4	52.6	55.0
Both sexes, 16-19 years....	41.8	37.6	38.4	31.1	35.8
<u>New York City</u>					
Total.....	57.0	54.4	54.4	55.1	55.1
Male, 20 years and over....	78.6	75.4	74.5	74.8	75.2
Female, 20 years and over..	42.6	41.8	42.4	43.1	44.2
Both sexes, 16-19 years....	36.9	31.5	32.1	31.5	26.3
White.....	56.2	54.6	54.2	55.3	54.7
Male, 20 years and over....	77.8	76.1	74.1	75.0	74.9
Female, 20 years and over..	40.7	39.9	40.0	40.7	42.0
Both sexes, 16-19 years....	37.7	34.8	36.8	38.6	29.8
Black and other races.....	61.1	53.8	55.1	54.4	56.3
Male, 20 years and over....	82.8	72.5	75.2	74.2	76.3
Female, 20 years and over..	51.0	47.7	49.1	49.7	50.6
Both sexes, 16-19 year....	34.0	24.7	24.1	19.3	19.5

UNITED STATES AND NEW YORK CITY UNEMPLOYMENT RATES,
1968-1977

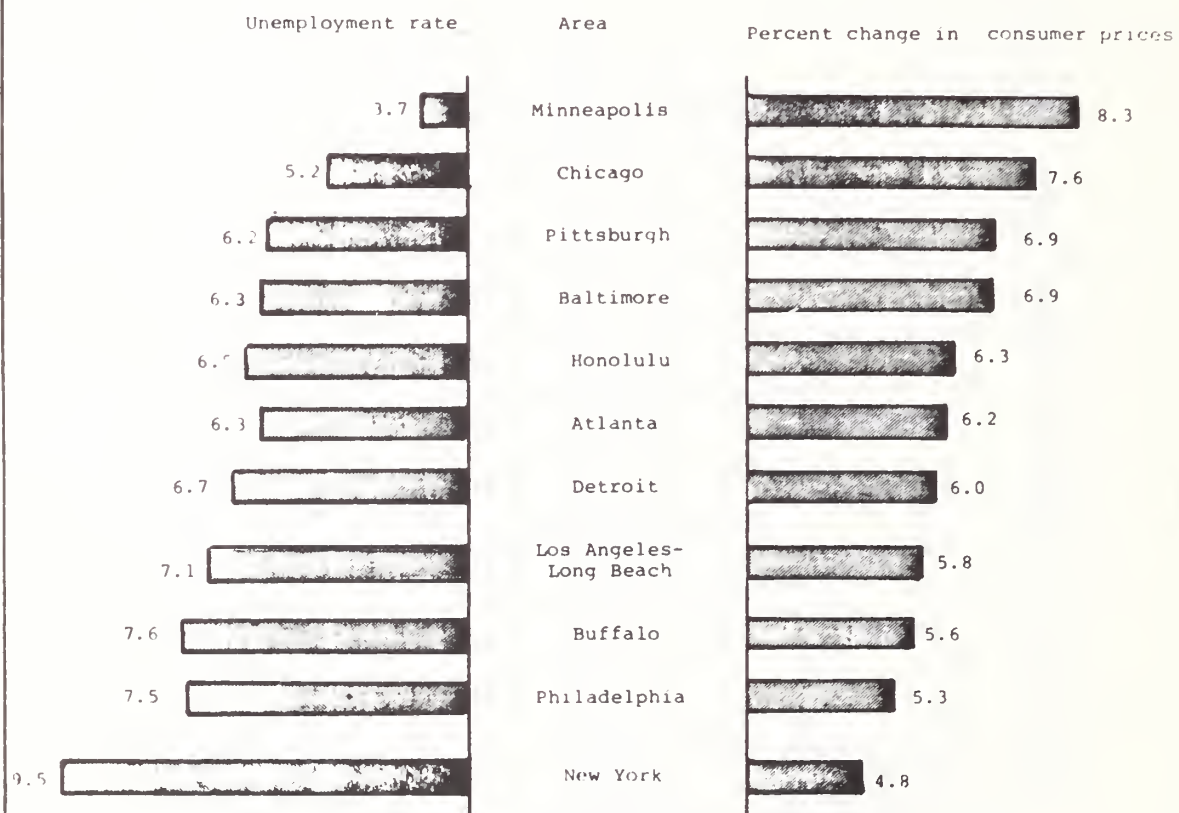
Unemployment rate



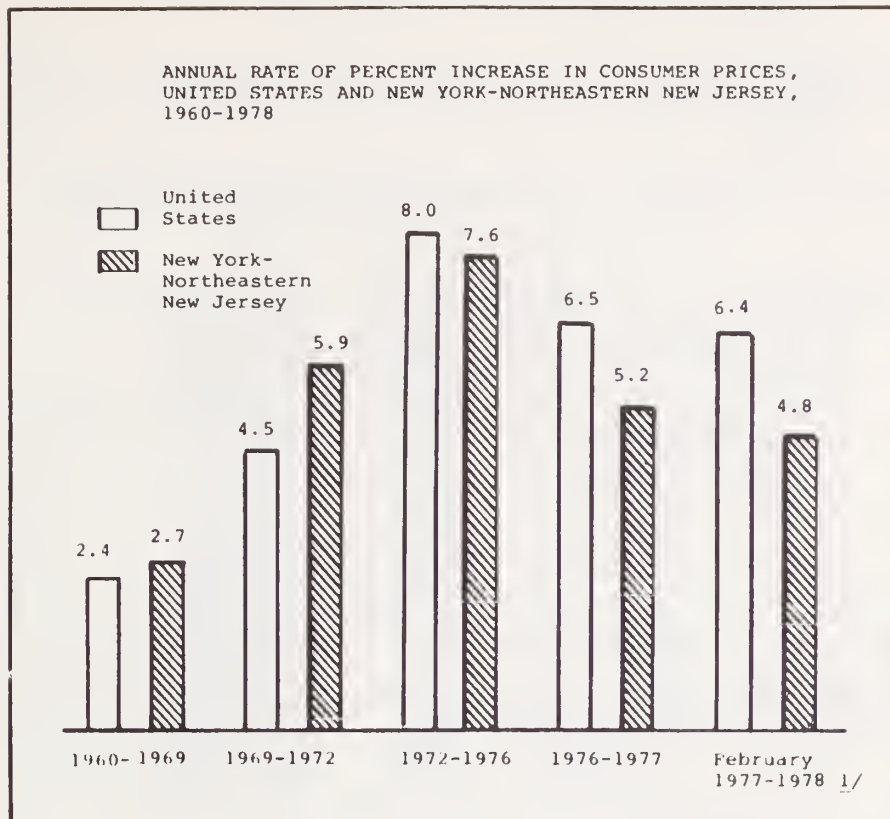
NEW YORK CITY UNEMPLOYMENT RATES,
1976-1978



OVER-THE-YEAR CHANGE IN CONSUMER PRICES AND UNEMPLOYMENT RATES, NEW YORK AND 10 SELECTED AREAS



Note: Unemployment rates are as of December 1977; changes in consumer prices are based on the Consumer Price Index for the latest month available.



Over the year percent changes in consumer
prices for selected areas

Area	Percent change	Month 1977-78
Minneapolis.....	8.3	Jan. 1978
*San Francisco-Oakland..	8.2	Feb. 1978
*Seattle-Everett.....	8.1	Jan. 1978
*Chicago.....	7.6	Feb. 1978
*San Diego.....	7.6	Jan. 1978
St. Louis.....	7.3	Dec. 1977
*Washington, D.C.....	7.2	Jan. 1978
Cincinnati.....	7.0	Dec. 1977
Baltimore.....	6.9	Dec. 1977
Houston.....	6.9	Jan. 1978
Pittsburgh.....	6.9	Jan. 1978
Dallas.....	6.6	Feb. 1978
*Honolulu.....	6.3	Feb. 1978
*Atlanta.....	6.2	Feb. 1978
*Milwaukee.....	6.2	Jan. 1978
Detroit.....	6.0	Feb. 1978
*Los Angeles-Long Beach.	5.8	Feb. 1978
Cleveland.....	5.7	Feb. 1978
Buffalo.....	5.6	Feb. 1978
*Kansas City.....	5.5	Feb. 1978
*Philadelphia.....	5.3	Feb. 1978
Boston.....	4.8	Jan. 1978
→ *New York-Northeastern New Jersey.....	4.8	Feb. 1978

*Consumer Price Index for All Urban Consumers used for the latest month. Others are unrevised Urban Wage Earner and Clerical Worker Consumer Price Index.

THE CONSUMER PRICE INDEX FOR THE NEW YORK-NORTHEASTERN
NEW JERSEY AREA IS NO LONGER THE HIGHEST IN THE NATION;
IT IS NOW SURPASSED BY HOUSTON, BALTIMORE, AND
MINNEAPOLIS-ST. PAUL

32

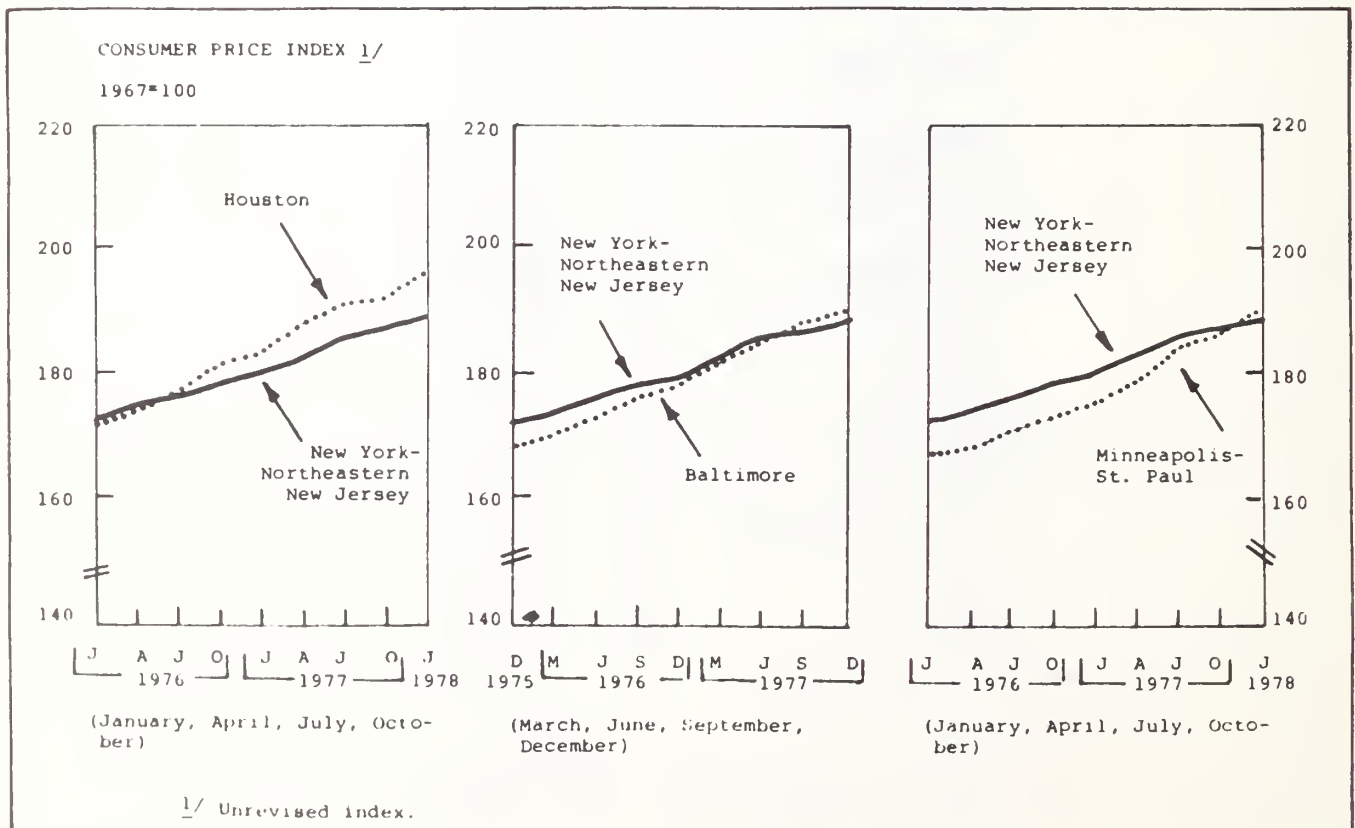
Consumer Price Index, United States and selected areas
for urban wage earners and clerical workers, all items
most recent index

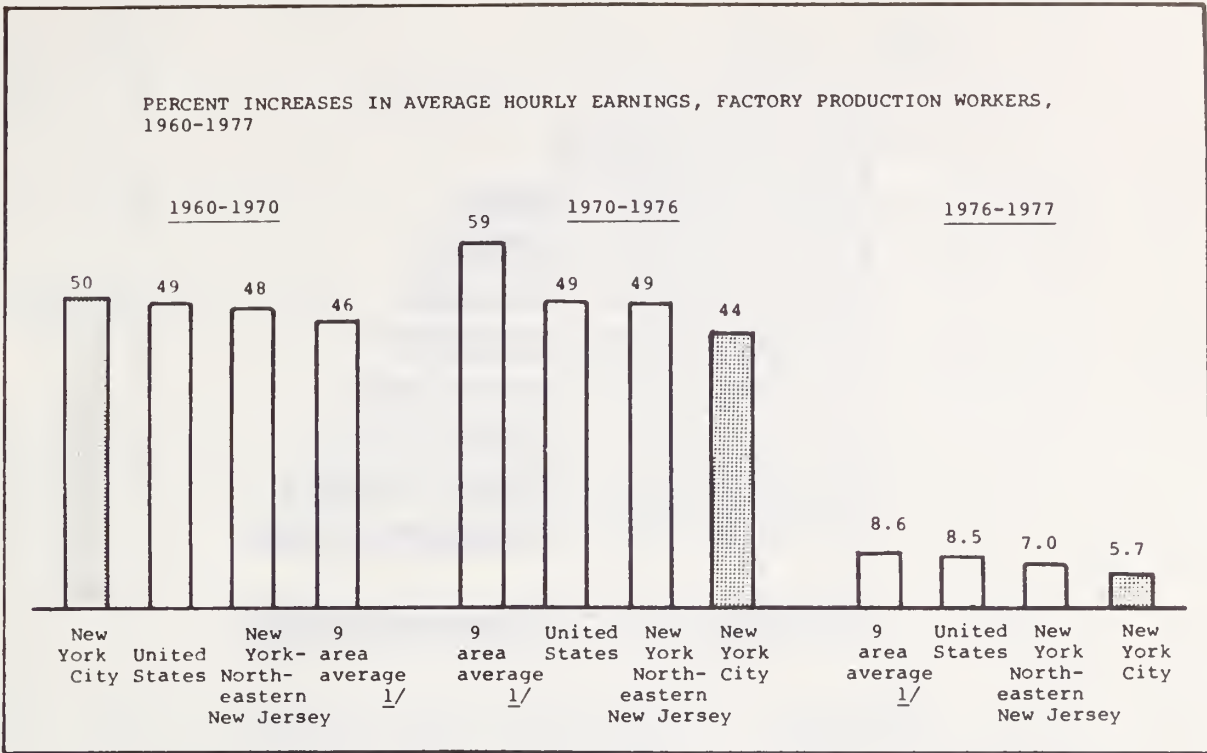
1967=100

Area ^{2/}	Index ^{1/}	month priced
Houston -----	196.2	January 1978
Baltimore -----	190.7	December 1977
Minneapolis-St. Paul -----	190.5	January 1978
New York-Northeastern N.J. --	189.3	January 1978
Washington -----	188.1	November 1977
Philadelphia -----	187.7	January 1978
Boston -----	187.5	January 1978
San Francisco-Oakland -----	187.3	December 1977
UNITED STATES -----	186.9	January 1978
Cincinnati -----	186.7	December 1977
San Diego -----	186.6	November 1977
Los Angeles-Long Beach -----	185.4	January 1978
Detroit -----	185.3	January 1978
Buffalo -----	185.1	November 1977
Pittsburgh -----	184.9	January 1978
Atlanta -----	184.5	December 1977
Cleveland -----	184.4	November 1977
Dallas -----	183.8	November 1977
Kansas City -----	182.7	December 1977
Seattle -----	182.5	November 1977
Milwaukee -----	181.6	November 1977
Chicago -----	180.9	January 1978
St. Louis -----	180.5	December 1977
Honolulu -----	174.9	December 1977

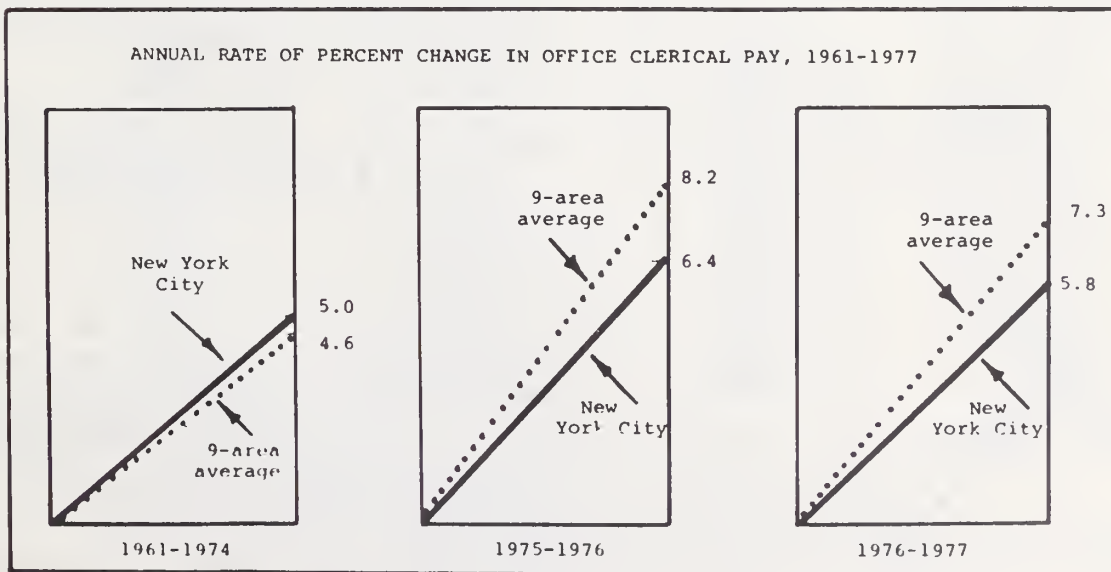
^{1/} Unrevised index.

^{2/} Area coverage includes the urban portion of the
corresponding Standard Metropolitan Statistical Area
(SMSA) except for New York and Chicago where the more
extensive Standard Consolidated areas are used. Area
definitions are those established for the 1960 Census
and do not include revisions made since 1960.



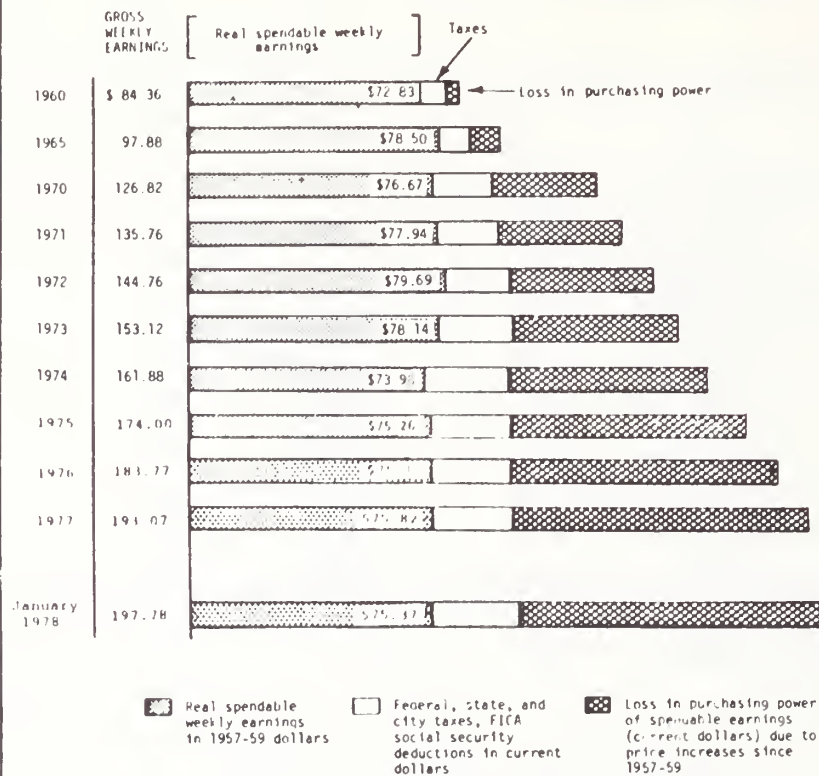


^{1/} 9-area average includes the following: Detroit, San Francisco-Oakland, Buffalo, Pittsburgh, Minneapolis-St. Paul, Los Angeles-Long Beach, Baltimore, Newark, and Paterson-Clifton-Passaic.



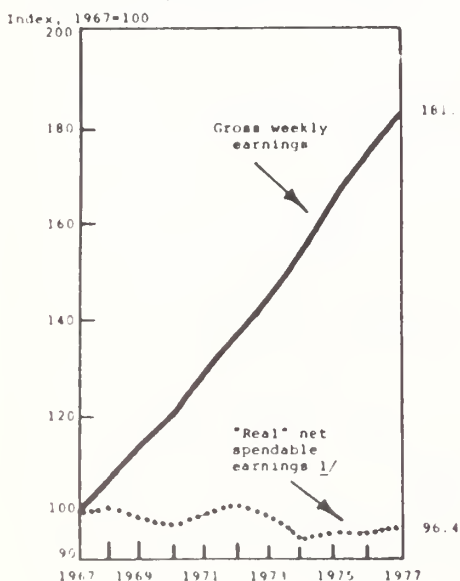
Note: 9-area average includes the following: Detroit, St. Louis, San Francisco-Oakland, Newark-Jersey City, Minneapolis-St. Paul, Chicago, Cincinnati, Pittsburgh and Seattle-Everett.

SPENDABLE EARNINGS OF NEW YORK CITY FACTORY PRODUCTION WORKERS
WITH THREE DEPENDENTS, 1960-1977



Note: Spendable earnings, or "after tax pay" represents average weekly pay after deduction of social security and income taxes for a worker earning the average for all production and related workers in manufacturing industries and taxed at rates applicable to a married worker with three dependents. "Real" spendable earnings are further adjusted for price changes.

INDEX OF GROSS AVERAGE WEEKLY EARNINGS AND
"REAL" NET SPENDABLE EARNINGS OF FACTORY
PRODUCTION WORKERS WITH THREE DEPENDENTS,
NEW YORK CITY, 1967-1977



Earnings and living cost comparisons for selected occupations,
New York City, 1969-70 and 1976-77
(United States = 100)

Occupation	Earnings 1/		Cost of living 2/		Ratio of earn- ings to cost of living	
	1969-70	1976-77	1969-70	1976-77	1969-70	1976-77
Material handling laborers.....	112	115	103	108	109	106
Senior level drafters....	107	108	114	116	94	93
Advance level engineers..	101	109	120	125	84	87

1/ Earnings data for New York City material handling laborers are from BLS area wage surveys for April 1970 and May 1976. Comparable national data are for all metropolitan areas, February 1970 and July 1976. For drafters, 1970 data are based on BLS area wage survey data for New York City and the U.S. all metropolitan area average. For 1977, data for drafters are taken from the BLS survey of professional, administrative, technical and clerical pay for New York City and the United States, March 1977. Data for engineers are taken from the PATC survey for New York City and the United States in both 1970 and 1977.

2/ Data are based on BLS urban family budgets at three levels of living for a specifically defined family of four, Autumn 1976, for New York-Northeastern New Jersey.

1. Adjusted for changes in the Consumer Price Index and Federal, state and local income taxes, and Social Security taxes.

(Private industry average salaries=100)

Occupation	Atlanta	Balti- more	Boston	Chicago	Cleveland	Columbus	Denver	Detroit	Houston	Indian- apolis	Jackson- ville	Kansas City, Mo.	Los Angeles
Clerical group	100	107	107	96	99	120	99	136	98	85	89	91	116
Clerks, accounting, Class A	106	99	105	88	92	115	115	-----	94	-----	82	79	---
Clerks, accounting, Class B	98	120	106	100	110	-----	-----	-----	-----	-----	-----	79	113
Keypunch operators, Class A	95	98	110	102	110	98	140	96	-----	-----	-----	77	126
Keypunch operators, Class B	93	102	109	99	104	130	104	146	100	-----	75	75	-----
Messengers	-----	108	-----	100	-----	-----	-----	144	102	-----	120	-----	113
Stenographers, general	109	99	-----	86	91	120	98	135	98	-----	-----	79	151
Stenographers, senior	112	119	104	94	93	120	122	94	96	-----	75	87	157
Typists, Class A	100	104	-----	99	99	113	103	127	-----	80	85	79	-----
Typists, Class B	95	111	106	99	101	116	103	153	103	89	92	76	125
Skilled maintenance group	85	90	88	129	181	96	105	123	93	71	79	75	140
Carpenters, maintenance	88	87	85	134	185	100	110	128	79	-----	79	70	127
Electricians, maintenance	88	86	91	142	185	93	97	122	106	71	-----	84	136
Painters, maintenance	79	96	89	112	174	96	107	120	94	-----	78	72	128
Helpers, maintenance trades	92	-----	105	-----	84	-----	-----	101	-----	80	-----	-----	133
Janitors, porters, and cleaners	110	139	122	122	93	137	119	123	126	-----	113	94	117
Truckdrivers	94	-----	82	-----	76	-----	-----	107	-----	77	99	-----	101
Truckdrivers, light truck	119	-----	103	-----	-----	-----	-----	119	-----	-----	96	-----	-----
Truckdrivers, medium truck	96	-----	76	-----	72	-----	-----	105	-----	67	-----	-----	125
Truckdrivers, heavy truck	-----	-----	-----	-----	80	-----	-----	97	-----	60	-----	-----	-----
Truckdrivers, tractor-trailer	96	-----	67	-----	75	-----	-----	-----	-----	-----	-----	-----	96
		Memphis	Minneapolis	New York	Philadelphia	Phoenix	Pittsburgh	St. Louis	San Antonio	San Diego	San Francisco	Seattle	Washington, D. C.
Clerical group	98	127	106	114	114	100	104	79	107	107	110	84	-----
Clerks, accounting, Class A	105	121	-----	126	-----	78	92	112	108	102	114	85	-----
Clerks, accounting, Class B	97	125	96	-----	-----	-----	-----	75	-----	98	-----	-----	-----
Keypunch operators, Class A	109	121	-----	-----	-----	-----	75	109	104	112	-----	-----	-----
Keypunch operators, Class B	104	-----	107	181	112	101	-----	-----	96	111	-----	-----	-----
Messengers	109	-----	118	119	-----	119	119	89	-----	105	-----	-----	-----
Stenographers, general	81	113	99	121	-----	100	77	75	-----	79	72	78	-----
Stenographers, senior	90	129	105	125	126	100	109	81	102	119	125	86	-----
Typists, Class A	-----	143	110	-----	-----	98	100	79	108	127	-----	86	-----
Typists, Class B	87	136	109	187	108	121	118	101	117	127	123	88	-----
Skilled maintenance group	114	120	149	97	101	101	84	99	97	101	99	122	-----
Carpenters, maintenance	120	125	148	91	-----	101	85	91	98	141	101	94	-----
Electricians, maintenance	109	125	163	96	101	110	62	90	94	151	99	94	-----
Painters, maintenance	114	111	125	105	-----	97	85	117	100	128	96	117	-----
Helpers, maintenance trades	-----	107	-----	96	-----	78	78	108	-----	140	95	115	-----
Janitors, porters, and cleaners	113	144	94	127	150	95	93	111	108	107	104	144	-----
Truckdrivers	67	104	-----	-----	-----	83	-----	123	69	113	87	114	-----
Truckdrivers, light truck	-----	-----	-----	-----	-----	-----	-----	157	-----	108	-----	131	-----
Truckdrivers, medium truck	-----	109	-----	-----	-----	-----	-----	97	-----	-----	85	119	-----
Truckdrivers, heavy truck	-----	96	-----	-----	-----	83	-----	-----	69	118	-----	105	-----
Truckdrivers, tractor-trailer	67	-----	-----	-----	-----	-----	-----	116	-----	-----	88	99	-----

NOTE: Comparisons were based on private industry data for the entire standard Metropolitan Statistical Area scope of the corresponding area wage surveys in cities where the municipal government and area wage surveys were conducted. Reference period differences, area wage survey dates were adjusted to reflect the nearest date of reference as the municipal government's. The adjustments were made by prorating the private industry salary increases for occupational groups between the two area wage surveys which occurred earlier and later than the reference period of the particular municipal government survey. Municipal occupations providing observations in substantially less than half of the cities, or staffed by fewer than three employees, were excluded. No adjustments were made to compensate for differences in standard workweeks. Relative salaries of occupational groups were obtained by averaging the percent differences for the individual occupations shown in table 1. Dashes indicate that fewer than 3 municipal government employees matched the categories studied.

Intercity comparisons of municipal pay levels for five occupational groups, 25 cities, October 1975–September 1976

(23 city monthly average=100)

CLERICAL		SKILLED MAINTENANCE		JANITORIAL		SANITATION		PUBLIC SAFETY	
City	Index	City	Index	City	Index	City	Index	City	Index
Detroit.....	149	Cleveland.....	178	Detroit.....	147	San Francisco.....	154	Los Angeles.....	127
Philadelphia.....	125	San Francisco.....	137	Milwaukee.....	132	Chicago.....	113	New York.....	124
Milwaukee.....	117	Chicago.....	136	Chicago.....	129	New York.....	125	Detroit.....	123
Los Angeles.....	115	Detroit.....	132	San Francisco.....	125	Pittsburgh.....	123	Chicago.....	122
San Francisco.....	113	Los Angeles.....	124	Philadelphia.....	120	Detroit.....	121	San Francisco.....	116
Seattle.....	111	Milwaukee.....	120	Seattle.....	113	Los Angeles.....	120	Seattle.....	115
Columbus.....	107	New York.....	116	New York.....	110	Denver.....	117	Denver.....	108
Baltimore.....	105	Memphis.....	102	Los Angeles.....	107	Milwaukee.....	115	Washington, D.C.....	105
New York.....	105	Seattle.....	100	Columbus.....	105	Washington, D.C.....	107	Milwaukee.....	104
Atlanta.....	101	Pittsburgh.....	97	San Diego.....	103	San Diego.....	104	San Diego.....	104
St. Louis.....	101	Phoenix.....	95	Boston.....	102	Columbus.....	103	Cleveland.....	103
San Diego.....	99	Washington, D.C.....	95	Washington, D.C.....	102	Philadelphia.....	101	Houston.....	100
Phoenix.....	98	Denver.....	94	Phoenix.....	100	Cleveland.....	95	Philadelphia.....	99
Boston.....	97	San Diego.....	91	Baltimore.....	94	Phoenix.....	95	Phoenix.....	98
Pittsburgh.....	97	Philadelphia.....	89	Denver.....	94	Houston.....	95	Columbus.....	97
Chicago.....	96	Houston.....	88	Kansas City.....	92	Kansas City.....	91	Boston.....	95
Cleveland.....	96	Columbus.....	85	Cleveland.....	91	San Antonio.....	88	Baltimore.....	93
Houston.....	95	Atlanta.....	82	Pittsburgh.....	87	St. Louis.....	86	Kansas City.....	92
Denver.....	93	Kansas City.....	81	St. Louis.....	85	Baltimore.....	83	Pittsburgh.....	85
Memphis.....	88	St. Louis.....	79	Houston.....	84	Atlanta.....	81	San Antonio.....	89
Washington, D.C.....	87	Boston.....	75	Memphis.....	80	Indianapolis.....	78	St. Louis.....	87
Kansas City.....	86	Baltimore.....	70	Atlanta.....	80	Memphis.....	71	Memphis.....	84
Jacksonville.....	78	Jacksonville.....	70	San Antonio.....	70	Jacksonville.....	70	Indianapolis.....	82
San Antonio.....	75	Indianapolis.....	67	Jacksonville.....	69			Indianapolis.....	81
Indianapolis.....	72	San Antonio.....	60					Jacksonville.....	82

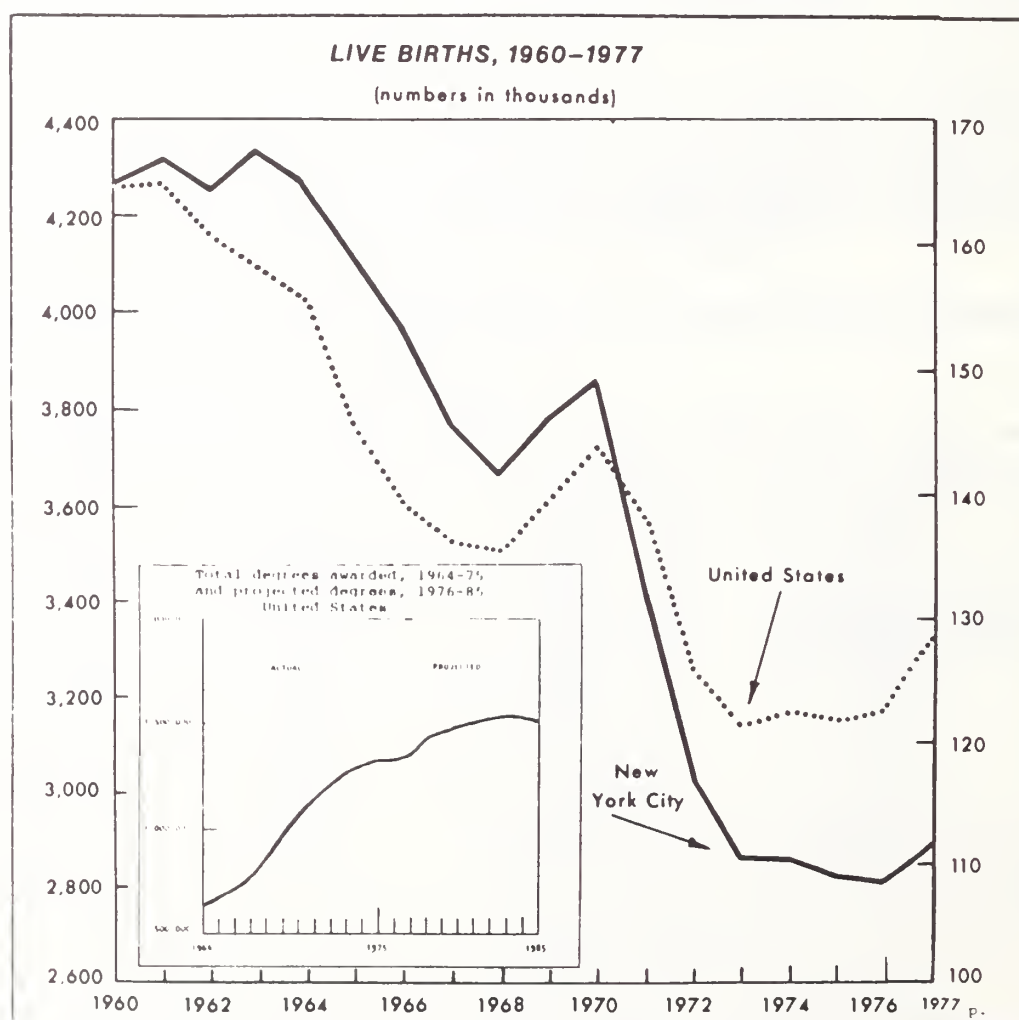
NOTE: Average monthly earnings are expressed as percent of averages for 23 municipal governments combined. (Detroit and San Antonio were excluded.) By limiting the benchmark averages to these 23 city governments—the ones for which data had been published in the annual survey conducted between June 1974 and October 1976—a system could be developed for adjusting the benchmarks to correspond to corresponding pay reference months of the 15 municipal governments studied. This system involved calculating a percentage wage change for the base cities between mid-1975 and mid-1976. This average pay increase was presumed to apply to each month over the total period studied. For a detailed description of this method, see "Area Wage Survey: Metropolitan Area, United States and Regional Summary, 1974-76, Bulletin 1979-29 (Bureau of Labor Statistics, 1979).

Also removed were the effects of intercity differences in employment composition within the multi-job groups, and the effect of some individual job averages being unavailable for two more of the cities. No adjustments, however, were made for differences in standard workweeks. If such differences had been taken into account, a number of the pay relatives would have changed significantly. For example, pay relatives in New York would have been 117 for clerical, 130 for skilled maintenance, and 111 for public safety employees.

OCCUPATIONAL DISTRIBUTION OF JOBS TO BE FILLED IN NEW YORK CITY, 1976-1985

Occupation	Employment 1976	Jobs to be filled 1976-1985	Jobs resulting from:		Employment 1985
			Industrial change (increase or decrease)	Death and Retirements	
ALL OCCUPATIONS -----	3,436,100 ?	956,800	-273,600	1,230,400	3,162,500
White collar occupations -----	2,148,900	730,100	-110,800	840,900	2,038,100
Professional and technical workers ---	583,800	166,500	- 25,800	192,300	558,000
Managers and administrators -----	439,400	88,900	- 37,500	126,400	401,900
Sales workers -----	235,400	56,400	- 25,400	81,800	210,000
Clerical workers -----	890,300	418,300	- 22,100	440,400	868,200
Blue collar occupations -----	840,200	77,400	-126,800	204,200	713,400
Craft and kindred workers -----	337,600	33,100	- 34,700	67,800	302,900
Operatives -----	395,800	39,100	- 78,400	117,500	317,400
Nonfarm laborers -----	106,800	5,200	- 13,700	18,900	93,100
Service workers -----	448,900	149,300	- 36,000	185,300	412,900

Source: New York State Department of Labor



Source: Data for New York City are from the New York City Department of Health. United States data for 1965-74 are from the Department of Health, Education, and Welfare. United States data prior to 1965 are from the Bureau of the Census. Data for 1975-76 are provisional from the National Center for Health Statistics.

p. preliminary

THE CITY'S SHORT-TERM ECONOMIC OUTLOOK

By Karen Gerard

I am happy to be at the New York City Council on Economic Education's Eleventh Annual Institute to talk on the short-term economic outlook for New York City. Squeezed between Herb Bienstock, with his comprehensive labor market update, and Ray Horton, with his long-term assessment, I feel I should stay with the title on your program and keep my short-term outlook short.

The outlook, as most of us have sensed recently, is for a relatively good 1978 for New York City. I say that with all the provisos economists usually attach to their forecasts--in this case the assumption being that the U.S. economy will continue to expand throughout 1978 (which would be called the consensus macro forecast) and a belief that New York City will be able to resolve its labor negotiations and June 30 financing deadlines with relative sanity on the part of all major participants.

Given this scenario, the question we are confronted with is will New York City, as the U.S. economic expansion matures, lead the nation into the next slowdown as it did in 1969 and 1973, or will it hold on to its recent gains for the rest of the year, at least?

Our belief is that the chances look quite good, at this point, for employment in 1978 to maintain an average that is very close to present levels. If the January-February level is maintained, employment for the year as a whole would average slightly higher than 1977's performance. This in turn would translate into an increase in overall economic activity of 1-1.5 percent and to a gain in personal income of close to 7 percent.

How do we arrive at projections of this magnitude? Well, no matter what anyone tells you, a lot of judgment (or more honestly, guesswork) goes into the analysis. Although we are becoming more sophisticated in our mathematical treatment of regional economics, we are still a long way from being able to project with confidence for an economy as large and complex as New York's, and one which has experienced such a massive erosion of its economic base. We do, however, have enough perspective on the 1970's to see how some of the forces of change are unfolding.

To go back a little, private sector employment in New York City has been essentially stable since late summer 1976. There have been blips in the employment totals, even after adjustment for seasonal variation, but basically the level has been flat. It has taken the recent annual revisions in the data to confirm this stability: The revisions, while they did not alter the annual averages much, did change the pattern of employment from a gradual downdrift through most of 1977 to one of stability since late 1976 and then an uptick in recent months. And I would say that the revised pattern conforms to our intuitive feeling that the City's economic base has been stabilizing. This is a far cry from strength, given the fact that the U.S. recovery has gone on for three years, but it is a better performance than we have experienced at any time in the 1970's.

What we are seeing is that the longevity and the strength of the U.S. recovery have been important factors in bringing stability to New York City's employment trends, but that New York City's own position has improved independently. Thus, in comparing the two most recent recovery periods: private payroll employment increased 9.8 percent in the U.S. in the 32 months from the November 1970 recession low to July 1973 while it declined 5.3 percent in New York City--for a gap of 15 points. In the more recent 32-month recovery, starting from the U.S. employment trough of June 1975, U.S. employment has risen 11.1 percent, while New York City employment declined by .8 percent--for a gap of almost 12 points.

The differential between New York City and the U.S. is still large, but it has narrowed perceptibly. We see similar signs of a somewhat improved economic environment in competitive measures as well. The consumer price index in the New York area has been increasing at an annual rate of about 5 percent compared with increases of over 6.5 percent for the U.S. We looked at the index by components to see whether the differences in our expenditure mix (we use the subway rather than driving cars, rent rather than own homes) explained the lower New York inflation and, it did not. In other words, smaller price increases locally rather than differences in buying patterns explained our recent lower rate of inflation.

Similarly, we looked at wage trends. Average hourly earnings in manufacturing have risen only 52.6 percent in New York City compared with 67.6 percent in the U.S. between 1970 and 1977. New York manufacturing wages are now below U.S. averages. If we standardize for industrial mix to find out whether this is just the result of the industries we specialize in (that is, take our wage rates in individual industries such as apparel and food and assume that we employed the same proportion of our workers in each industry as the U.S. does), it turns out that New York wage rates rose 57.8 percent, still less than they did in the U.S. Thus, the improved competitive position is "real" and is not just a question of New York concentrating in relatively low wage manufacturing industries. Similarly, the gap is closing for clerical wage rates. Though New York City wages remain above U.S. averages, clerical wage rates have increased by only 20.6 percent in New York City compared with 24.7 percent in the U.S. since 1974.

Of course, these trends are past history and they do not make a forecast. We still do not know just how much of an improvement in competitive conditions is required to actually produce a turnaround for New York. But we have built up enough experience in this altered mode to see that some of the "traditional" economic forces are working as one would expect. The U.S. recovery is feeding back to New York, though with a lag, and our improved competitive conditions (measured crudely by wages and prices) are helping to arrest New York's long-term decline. Given a consensus forecast of continued U.S. expansion through 1978, the chances look good that New York City can sustain its present employment levels for the next several months, at least to make 1978 the first year in the 1970's when the City did not lose jobs.

If we disaggregate the totals and look at the picture sector by sector, we find that the potential for movement by individual industries is quite small. There probably will be no big stars and no big losers. Manufacturing may be able to hold its recent gains. Consumer spending in the U.S. will be stronger for nondurables than for durables, so this should favor New York City's base. Investment expenditures for equipment will be strong nationally, but with our limited durables equipment manufacturing, this will have only a moderate impact.

Stability to a small gain in manufacturing employment appears likely. How much this marginal change represents physical production and how much it represents office employment in headquarters activities cannot be measured on a current basis. We think, however, that we are seeing gains in real output in sectors such as apparel, printing and machinery. The office sector in Manhattan has strengthened markedly in the last year, but our guess is that services and finance rather than manufacturing are adding to demand.

With stability in manufacturing, we anticipate some positive feedback to wholesale distribution. Since wholesaling is also linked to retailing, this sector will feel the negative pull of weaknesses in retailing. I would like to avoid retailing because I have to resort to one of the economist's favorite cop-outs--poor data. The U.S. Bureau of the Census recently revised its retail sales series and, in its wisdom, did not see fit to provide back data for cities. Although we have some idea of the magnitude of the revision, we cannot track data on a year-to-year basis. Our perception is that retail sales are not strong enough to fully halt the decline in employment. If the year does as well as we think it might, then retail sales gains will just about match the rate of inflation--which we currently are projecting at a local rate of 5.5 percent against an anticipated 6.5 percent U.S. rise in the Consumer Price Index.

After the last few days on the stock market, we should certainly be bullish about employment in finance, insurance, and real estate. I assume my assignment does not include forecasting the stock market though this was my specialty before I moved into the more hazardous business of forecasting New York City trends. I think we have to mute our enthusiasm for what the market activity means for New York City's economy in the short run. Certainly high volume, if continued, will help the City's revenue picture. The direct employment impact, however, will be moderate. We have made major productivity advances from the 1960's when 30-million share days practically broke the back of the securities industry.

In other finance-related sectors, trends are mixed. In banking, new international facilities are strengthening employment. In addition, commercial and industrial loans are picking up at New York City banks and expanded activity should continue through 1978, although loan growth will be less than at regional banks. However, overall, there will be little effect on total banking employment, particularly with the widening use of automated retail facilities and the closing of some branches. Strength in the Manhattan rental and co-op markets and offices should help stabilize real estate employment. But, again, implications are for little or no employment change. Altogether, the 1978 outlook for finance, insurance, and real estate employment is for stability to a small increase.

The service sector, after lagging longer than one might have hoped, considering that it was New York's growth sector in the past, has finally begun to show increases. Unfortunately, we don't know where within this mammoth 775,000-person industry, the gains are occurring. We would expect that some strength will show up in business services and tourist-related industries, while weaknesses will remain in those areas servicing the City's shrinking resident population. Altogether, changes, once more, will be marginal.

The star, if there is to be one, will be construction. But this will be manifest far more in the percentage change than in additions to employment, since construction is operating from such a depressed base. We expect residential construction to increase in 1978 (even though nationally housing starts will begin

to move down) and several major office projects should get started. But regardless of what decisions are made on Westway and the Convention Center, the employment impacts in 1978 will be negligible. So the construction industry should improve in 1978, but the absolute levels of activity will remain low when measured against the 1960's.

Government is still unaccounted for. We do not pretend to know precisely how the City will resolve its near-term labor and financing problems. As we stated at the outset, we continue to be optimistic and assume that a solution will be reached that does not paralyze the City physically or financially. It is likely, however, that some moderate employment attrition will occur in 1978 if the outlines of the financial plan are followed.

The sum of these trends, as we have already said, is for small changes in the major sectors. With good fortune, the net result would be a small gain, but a plus or minus .5 percent is still within the range of forecasting error. And, given New York City's recent history together with the maturity of the U.S. recovery, this should be considered a turn for the better for New York.

We have used employment totals to describe the outlook because these are the available figures. But employment is not synonymous with economic output. We do have something called productivity--even here in New York. I call witness to those 60 million trading days as proof. Therefore, with a projection of stability to a small gain in employment, we also have a projection of an increase of 1 percent to 1.5 percent in real output.

Personal income--largely wages, property income, and transfer payments--will, in turn, rise a bit more than the local rate of inflation. Here again, I must apologize. The latest personal income figures are for 1975. So while I boldly forecast 1978, I am at the same time forecasting income for 1976 and 1977! My best guesstimate is that personal income of New York City residents will pass the \$60 billion mark in 1978--for a gain of 6.5 to 7.0 percent. Ironically, New York's somewhat improved economic condition, together with more stringent processing of public assistance cases, is reducing the number of welfare recipients. Thus, transfer payments are no longer rising more rapidly than wage and salary payments as they did in the worst years of the 1970's.

Altogether, if income rises as projected and local inflation is about 5.5 percent, New Yorkers will achieve a small gain in real income. With the reduction in state taxes recently enacted, this would just about assure an increase in real disposable personal income.

Altogether, then, the near-term outlook for New York City is brighter than it has been for many years. We should caution, however, that we have undertaken the easy job by limiting our time horizon to 1978. Ray Horton has the assignment of the longer term outlook. And I bet he is also taking the easy way out by looking five or ten years ahead. But the next real test for New York City will be over the next two or three years. There will be a slowdown some time during this period and we will then find out whether New York City is as vulnerable as it has been in the recent past. I hope that we have moved to a firmer base, but I would caution that we may still face some rocky times ahead.

PLANNING PERSPECTIVES AND ASSUMPTIONS

FOR NEW YORK CITY'S ECONOMY

By Raymond D. Horton

Today's topic, Forging a Competitive City: The Challenges of New York City's Redevelopment, is the critical crisis facing the City. I commend today's planners for its selection.

Between 1975 and 1977, I was staff director of the Temporary Commission on City Finances. The Commission was charged with the responsibility of analyzing and making recommendations concerning New York City's long-term financial problems and projects. The Commission published 16 interim reports and a final report, The City in Transition: Prospects and Policies for New York.

When I took the job with the Commission I thought it might prepare me for occasions like this. However, I have discovered since returning to Columbia last year that year that my two years of working for the City destroyed a fair share of my previous conceptual luggage.

I had hoped to be able to present a concise, well-reasoned paper on the City's long-range economic outlook; the best I can do is to address some points seriatim that seem important to me.

I would like to begin by briefly examining some planning prerequisites. Then I will outline four basic conceptions that I believe provide realistic bases for planning. In conclusion, I will address what, to me, is the penultimate question about the City's future: Can the City's political process be reoriented so that it promotes rather than retards economic development?

Planning Prerequisites

For planning to be successful, at least three difficult goals must be achieved: first, the generation and publication of accurate data; second, the development of sound theory; and third, the creation of institutional linkages among analysts, policy-makers and policy-implementers.

In the field of urban economics, it seems we have fallen far short of each of these goals and that this failure has contributed substantially to New York City's economic problems.

With respect to data, it is my impression that we have a lot of information, but that frequently it is neither factual nor relevant. But even if our data were accurate, we do not really understand very much about what to do with data. This is because our theoretical understanding of urban economics is inadequate.

Our problems with data and theory are related. It is difficult to test theory against reality without meaningful data, and it is difficult to generate meaningful data without theory that tells us what data should be collected and what data should not be collected.

The cumulative legacy of a data base of dubious quality and an under-developed conceptual base is weak policy analysis.

From this perspective, one might deem it fortunate that the institutional linkages among analysts, policy-makers, and policy-implementers are so poorly developed. Consider our dilemma if policy-makers actually listened to analysts, and if policy-implementers actually listened to policy-makers. Bad analysis would be converted into bad policy and bad policy into bad outcomes, probably worse outcomes than we presently obtain from our "muddling through" style of urban economic planning.

This observation is not meant as a defense of "muddling through," as anyone who has read the Final Report of the Temporary Commission on City Finances will know. The City in Transition: Prospects and Policies for New York, is a critique, among other things, of the "muddling through" approach to politics and policy-making characteristic of New York City. What I am trying to suggest is that until we better bridge the gaps among data, theory, and institutions, we probably have no prospect of other than incremental, conservative, and--as the record suggests strongly--generally unsatisfactory economic development policies.

Some Planning Assumptions

Having suggested that we should be chary about accepting the postulates of planners regarding things urban and economic, let me change my task and briefly describe four general propositions that, while I think they are correct, I have to defend more on the basis of reasoned opinion than scientific validation.

1. The local public sector plays a more important role in the performance of the local economy than is commonly recognized. Most of us pay lip service to the importance of the public sector, but I think we underestimate its significance by far. Government's role in the local economy is exceedingly important positively and negatively.

In a recent paper delivered to the Seminar on Local Government of the Lehrman Institute, my Columbia colleagues Chuck Brecher and Kurt Katzmar estimated that as much as 40 percent of total income in New York City is generated by the 20 governments that operate in the City. Government is the single biggest source of economic activity in New York City, but as Brecher and Katzmar make clear, the City's political economy is as diverse as its private economy.

Governments do not simply spend money in New York City, and thus provide income. They also extract money from New York City in a way we do not fully understand, as Senator Daniel P. Moynihan has repeatedly emphasized in his assertions that the federal government extracts more resources than it returns to the local economy, thereby depressing it. And, perhaps as significantly, government extracts time from local business, through a complex and I believe on balance, counterproductive effort to excessively regulate economic behavior.

2. The local public sector is capable of playing a far more important economic development role than is commonly recognized. This observation is not grounded in measurable facts to the same degree as the first, but in my opinion it could be the case provided the City and/or other agencies of the local public sector, like the Port Authority, were able to get their political and organizational acts together.

The first act required is for the political system to accept the obvious, namely that the local public economy will continue to experience fiscal problems like those of the 1970's until the local private economy reaches a new equilibrium. Moreover, reaching a new equilibrium in the private economy is dependent, in larger part than we recognize, on the capacity of the local public sector to reorient its functions so that it is able to leverage the investment of public resources to induce private investment.

To quote from The City in Transition: Prospects and Policies for New York (p. 1)

Economic development represents the critical link between reform of the local government process and improvement of the larger city. Economic development is dependent upon increased investment...increased private investment ultimately holds the key to the city's future... The developmental strategy (which was the buzzword for the policy recommendations of the Temporary Commission on City Finances) is a broad plan for political action that will increase private investment in New York City by first increasing public investment.

3. The local public sector had better play an important economic development role because left to their own devices neither the market nor the federal government is capable of achieving this goal for us, at least not in the foreseeable future.

Let us be realistic with respect to the capacity of the free market to "correct" subnational, i.e., regional or local, economic decline. I believe that markets and the market decisions of individuals and firms are not capricious. When large numbers of persons and firms disinvest in one way or another, their national decision-makers are saying that their self-interest--whether tax avoidance, profit maximization, or cheap, good public services--dictates diminishing or severing their nexus with New York City. In the long run, I also believe that laws of comparative advantage will redirect investment decisions to New York City. How long is the long run depends, as I noted earlier, largely on our capacity to utilize public resources in ways that hasten the City's competitiveness for people and business.

Public resources can, of course, come from other governments than the City of New York, the State of New York, or special purpose governments like the Port Authority. The more I watch the federal government attempt to deal with problems of metropolitan economic decline, however, the less convinced I am that it can play the dominant role in distressed area economic development. Macro-economic tools are poorly suited to this task, and counter-cyclical programs, which have dominated our national urban policy in recent years, provide fiscal relief to the local public sector, not economic incentives to the local private sector.

What areas like New York need are large doses of highly targeted funds dedicated, among other things, to infrastructure and the creation of economic incentives but these are politically difficult to achieve in a national political system where, increasingly, relatively fewer people and jobs are located in the Northeast in general and New York in particular.

4. In pursuing economic development through the local public sector, we should avoid excessive "fine-tuning" and stay with the basics. If our general failures of public intervention in area-specific redevelopment projects over the last decade or so tell us anything, it is to avoid the presumption of superior intelligence that plagues us as planners and plunges us into highly detailed efforts to plan economic development to the last detail. I call it "fine-tuning." I hope, for example, that we do not squelch the potentially dynamic character of people and enterprise that I suspect will be found in the South Bronx by intervening to the point where the local public sector attempts to "manage" economic development. The public sector can stimulate private behavior but it has a difficult time managing it.

We have crude, but I would guess in the long run more effective policy tools, in the form of tax reduction, investment in the maintenance of our existing infrastructure, and maintaining an adequate supply of public services. I tend to believe that when investment becomes profitable in New York City and when the mixture of taxes and services becomes more favorable to individuals, that the City's socioeconomic base will improve. Blunt policy-instruments seem to me a generally better tool for economic development than we sometimes recognize.

The Question of Local Political Reform

For these reasons, I think we in New York City make a major policy mistake if we count on other governments or national markets to take the lead in overcoming our local economic problems. While I believe the local public sector can be a powerful economic development tool, this will not occur until our local political system gives up what is certainly an impossible goal of maintaining our present system of priorities and policies.

The standard by which we evaluate our local government and local government leaders should not be how successfully they hold the present system together but, rather, how successfully they change it.

NEW APPROACHES FOR ECONOMIC DEVELOPMENT

By Peter C. Goldmark, Jr.

I am going to try in the short time allotted to make three points which are essentially unrelated. I will try to glide from one to another so that you do not see how unrelated they are.

First, I want to talk about why I think the Port Authority is probably a good candidate to be a very serious partner with the cities on both sides of the river and the two states that created the Port Authority--New Jersey and New York--in the period of redevelopment that lies ahead.

Secondly, I want to give you an example of an area that we think all of us in the public sector ought to be exploring, and why I think it represents an opportunity, and how we might go at it.

Last, building on what Karen Gerard said, I want to talk a little about some of the things we may have been doing right in the public sector in the past two or three years, and why it may be very important to continue those as well as to look at new things.

One of the problems that I find I have with audiences is that nobody seems to know the answer to the question, "What is the Port Authority?" I did not know it eight months ago when I took the job. I find an astonishing number of people, both in public and private life in this area, have no idea what the Port Authority of New York and New Jersey is. As a matter of fact, when it was known in the Budget Bureau in Albany that I was going to take the job as Executive Director of the Port Authority, my staff at one of the going-away parties did all the normal goofy things staffs do.

One of the things they said is that they were absolutely horrified that a person like me could become Executive Director of the Port Authority. Obviously, I had no more qualifications for that job than any one of a thousand other people, and this was going to create a very bad precedent. The only way they knew how to deal with that precedent, and deal with the disappointments all the thousands of other people would feel--who obviously had equal qualifications--was to give me a civil service test. They gave me a multiple choice civil service test and it consisted completely of questions on what is a Port Authority. One of the possible answers to a question was: a Port Authority is a connoisseur of wine. Another possible answer was: a Port Authority is the captain of the left side of the ship; and it went downhill from there. There also was a horrible joke included--which could only come from New Yorkers--inquiring "What is New Jersey?" One of the possible answers to that was: a demilitarized zone between New York and Philadelphia. As you can see, it was not totally in good taste.

I also had a chance a couple of weeks ago to address a group of students from a New York high school, and none of them knew what the Port Authority does. Half of them did not know that we run the major airports in the area. Half of them thought that we ran the New York City subway system. The only thing that they all

knew, for some reason which surprised me, was that the Port Authority had built and operated the World Trade Center. Very few of them knew we had anything to do with what they all called the "Port of Authority." "The Port of Authority," as you know, is the bus terminal on Forty-second Street, which is our most famous and well-known enterprise which lends such a distinctive flavor to the activities of Forty-second Street!

Why would we be talking and thinking about economic development? I start with the central proposition that the great challenge all of us who are citizens of the Northeast face in the next quarter century--roughly the period between now and the year 2000--is to try to define and apply the policies to achieve a new economic equilibrium, an equilibrium obviously different from the one that we have experienced in the past 10 to 20 years. I also believe that there are several pluses about an organization like the Port Authority that would make it a useful and promising partner in such an enterprise. First of all, it was the first and it is still the largest operating multi-state authority in the country. By its origin, its history, its outlook, its purpose, and the scope of its activities, it is bi-state. If there is one thing we have learned about the approach to many of these problems, it is simply that it has to be regional and multi-state, not local or parochial.

Secondly, the Port Authority--miraculously--is solvent, and this is now a distinction in these parts of the world. My dialogue very often with mayors and governors goes like this: Mayor or governor: "Why don't you give us some of your money?" Goldmark: "The fact that we are solvent should be seen as an advantage, not a liability. You should not be saying to us, 'Why don't you join our club for those on the brink of financial difficulty?' You should be saying to us, 'How can we help you to stay solvent?' Because if you help keep us solvent, then we will be able to do one of the things that we can do that is now in short supply in the New York/New Jersey area. This is to raise capital for common projects."

As long as we remain solvent, as long as our revenues remain up we will continue to enjoy the access to the capital markets that the Port Authority experienced all through the recent fiscal difficulties. As long as the entity stays healthy, that is a plus for a place like New York City. That is a plus to anyone considering where resources are going to come from for the under-maintained physical infrastructure in the cities of our region. That is a plus to a state that just saw a \$750 million economic development bond issue defeated in a referendum, and is now asking where will some of the capital for economic regeneration come from.

Thirdly, the Port Authority has a long and distinctive history of professional and managerial excellence in public service. In the context of our municipal and state governments around this Port, this is surely an asset to be harbored, preserved, and cherished. That, in short, is why I think that we are a likely and promising partner in attacking the problems of economic development.

I would like to go to Point Two and give you an example of what I think is an opportunity for the kind of problem we ought to be exploring. In fact we are exploring several at the Port Authority. We have established five Task Forces which are designed and established for the specific purpose of undertaking exploration, analysis, and discussion with the states and the cities on both sides

of the river about what areas we might usefully explore, what strategies we might jointly adopt, and how we might pursue them. This approach would be of benefit to defining and achieving this new economic equilibrium of which I spoke.

One of the areas that we are exploring is whether there is a strategic opportunity to take advantage of the flow and availability of thousands of tons of garbage generated daily in this region to produce some cheap energy. We also are investigating whether that cheap energy can be used in a way where you would target it, or make it available, in effect as a highly concentrated subsidy to specific sectors of the economy, such as the industrial or the manufacturing sector. Let me give you a few numbers, and let me stress at the outset that this is an idea we are exploring. It is not a plan, not a proposal, not a finished work or thought, but it does typify for me the kind of thinking and the kind of opportunity we must be willing to explore together.

The United States requirements for energy in 1975-76 were roughly on the order of 70 to 75 "quads." A "quad" is short for quadrillion BTUs. Of that total amount, between $3\frac{1}{2}$ and 4 quads were consumed in our region, a relatively small amount. Interestingly enough, our region, the tri-state region, or the Standard Consolidated Area (SCA), is less energy-intensive than the national average. That may constitute the first part of our opportunity. This region has 8.5 percent of the nation's population, over 11 percent of its national income, but it consumes only 5.2 percent of the nation's energy. There is an even greater disparity when you look at how much within that overall energy consumption level is consumed by the industrial sector. The average consumption of energy in the United States that goes to the industrial sector is about 30 percent of the total pie. What is it in our SCA? It is between 5 and 6 percent. This is another significant, fundamental difference that may represent part of an opportunity.

In other words, relatively little of the already relatively little amount of energy consumed in this area goes to the industrial sector. We all know the problems with the price and the cost of energy here. We all know most of the reasons. But the gap remains significant. I feel that it remains one of the major deterrents and disincentives to anyone considering going into business or expanding a business here. When you talk about the cost of electricity to an industrial sector that is three times the price of power in Houston, two to three times the price of power in Los Angeles and Philadelphia, this is a significant structural disadvantage. There are similar ratios, not quite so bad, in the area of natural gas. We have a major problem here.

Now for the other side of the equation. (Incidentally, the cost of fuel obviously is likely to drive the differential up in the future.) What opportunity does the garbage flow represent? We have all talked about it for years. I personally believe that the coming decade will be the one in which public leaders and elected officials in this area will be making those public sector decisions that commit those streams of garbage to various purposes. Now, after all the years of talk, the time has come when these decisions will finally be made. There are three reasons for this: The cost of disposing of garbage; the increased cost in more conventional forms of energy production; and the fact that many of the traditional methods of handling garbage are now being used up. Most of the land-fills in this area are scheduled to be closed by 1985.

Like many decisions in the public sector they will have consequences far greater than they appear to have. One of my favorite examples about unintended consequences or decisions is the Route 128 decision around Boston. When 128 was built it was solely a transportation decision. Nobody had the slightest idea that it would lead to the creation of those industrial and service industry plants now in that area. It was built simply as a way to get from the north to the south shore. Many of these public decisions have unintended consequences. I believe the garbage decisions--how municipalities decide that flow in the next five to eight years--will turn out to be very important decisions.

Now on the garbage side of the equation, as I said, again let's take a rough figure. Perhaps for the region around this Port there are 30,000 tons per day of disposable garbage, garbage that could theoretically go into a co-generation plant. Again, compared with the rest of the country, it is richer in terms of how combustible it is, how concentrated it is, and how higher the volume of flow is. I know it always sounds funny, but our garbage is a very important asset.

The nature of the question that we would like to explore, and we have invited the state and city governments to explore with us is: Is it possible to talk about a series of public endeavors that will harness that garbage, commit it to resource recovery or co-generation plants of one kind or another, and emerge with a targetable stream of cheap energy, probably in the form primarily of electricity, which can be used to stimulate industrial and manufacturing growth? A million questions have to be answered in order to find out whether that possibility exists. A lot of hard work will have to be done. I believe the possibility does exist and that it is well worth exploring. I certainly believe that a decision will be made on what to do with all that garbage in the next four or five years.

There are some very bad ways it can be used. First, you could have the Balkan solution because everyone will take his little hunk of garbage, or their portion of the flow, and sell it to a private entrepreneur, or write a long-term contract with someone to truck it out of the region or whatever. With 30,000 tons, you may find it fragmented into 200 or 300 little pockets or streams from which it will be very hard to recapture as a positive tool for economic development. That is what makes the timing of this opportunity so critical because those decisions are beginning to be made. The City of Newark signed a long-term contract with a private developer who wants that garbage. You can go into any city hall or state house within 20 miles of the place where we are sitting today, and you will find someone in this business making a presentation to the local government saying, "Give me your stream of garbage. I'll pay you so much a ton. I'll accept it if you pay me so much a ton. I'll take it off your hands for the next 15, 20, 25 years." That is going on now. So it is time for this public issue to be addressed.

The strategic opportunity I am talking about is the possibility of developing a significant volume of cheaper electricity anywhere in the 2 to 4-cent per kilowatt hour range because our garbage flow is so large, and because our present needs in the manufacturing and industrial area are so relatively low. If there is any possibility of matching, we might, by a program of public endeavor over the course of 5 to 8 years, turn one of our major structural disadvantages in terms of growth in the industrial sector, into a structural advantage. This

would be an example of the kind of important thing we have to do if, having survived some of the financial crises and acrobatics of the past two or three years, we are now going to be serious about going about the business of structuring a competitive situation for this region, so that it is a place that people associate with opportunity.

I do not want to close, since the subject of this conference is "Forging a Competitive City," without discussing a couple of things that we may have begun to do right in the public sector, and without urging that we keep on doing them. I think, essentially, there are three things we started to do in the past two or three years--many of them came out of the months of crisis. First, and nobody would have predicted this even three years ago, we actually have started to begin to take down the high wall of taxes that we had built in New York City and in New York State. I do not think anybody would have predicted that we would have had two years of consecutive reductions in major tax areas with the possibility of more in years ahead.

We must keep going in that direction, in my opinion, and the predictability of continuing in that direction is as important as the size of the decreases. The direction in which we are going and the trend probably have more to do with a sense of opportunity and possibilities that are created than the absolute level. It is a very difficult process, and is by no means complete. The opportunity for these reductions were created largely by redefining the governmental load in New York--health, education, and welfare. There is much more work to be done. But these areas are now redefined, in the sense that what New York did for its citizens, how it did it, and how fast the load was growing, were addressed. In many cases downward adjustments were made so that they were more in keeping with the capacities of the public sector revenue base that New York can support. This is extremely difficult to do, but the adjustment must continue. The years of New York's being able to have a governmental load in the social and service area which was anywhere from 50 to 100 percent greater than those carried in other states are over.

Secondly, we also now realize the importance of achieving a new economic equilibrium between the private and public sectors. The years of patting ourselves on the back because overall employment rose in New York--even though the gain in public sector jobs outstripped the loss in the private sector--I hope, are also over. We have learned that the balance between those components is important and the balance has indeed, marginally, been healthier in the past year or two.

Third, and this is a point which I feel strongly about, and which is less widely understood and, perhaps, less appreciated by people who have not worked for both the city and state governments, is that in the public sector we have got to stop playing what I call the "game of old maid." I call it old maid because when I was young, I am sure it was true of some of you, I used to play cards with my brothers and sisters. You would stick up the queen of spades, or whatever the old maid was, and you would try to get them to take it and pass it around to the other players in the game.

That is something we have done in the public sector in New York in the past 10 to 20 years. It normally occurs in two forms. The state government will pass a law mandating that localities do something, but providing absolutely no money to do it with. That, in effect, is an increased load and an increased cost burden. But the law is passed in Albany. It does not show up in anybody's budget

in the first year. But it is a new obligation. In the end it costs the taxpayers money. The reverse side of the game is when the local officials come to the state and ask it to take over function X, the criminal justice system, the correction system, higher education, or whatever it is. If these functions are removed from their budgets, the assumption is that they then will have additional resources to allocate.

Both of these are versions of the game of old maid. One of the most important lessons that I hope we all learned during the past three years of difficulty was that we are all in this together. It is one financial system as a whole, one man's debt service is another man's revenue, one man's borrowing is another man's loan. We have begun in this state the beginnings of a process of looking at public sector expenditures as a whole. We must look at the \$30 billion spent by local and state governments in this state together, and stop playing old maid.

Among the points I have made, the one I would most like to draw your attention to is the need to concentrate on a few areas. I think energy is one of them. We must work together, the different elements of the public sector and the private sector, to create for ourselves a number of strategies. We must create structural competitive advantages for the region so that, as we take advantage of some of the trends that may be neutral or even somewhat benign, we are at the same time building a structure and a framework that can begin to add positive incentives. This will allow people to look at this area and this region again as a place of opportunity.

THE CITY'S ECONOMIC DEVELOPMENT PROGRAMS AND SERVICES

By Monroe S. Wasch

Thank you for this opportunity to discuss some of our programs and services, and my thoughts on how well we are delivering them on behalf of the business community.

I will not address myself to the pending Mayoral reorganization of OED, but will discuss those services which, in my estimation, can, and should be provided by the City in any organizational structure.

The City must continue to improve and expand its red tape cutting activities. In this regard we at OED are proud of our accomplishments. In August 1977, we opened the Business Action Center, a central phone referral with a monitoring and tracking system to assure that the business caller will have a return phone call within 24 hours of initial contact informing him of the unit which is to provide the service. The system also makes an internal record of all referrals. In over 3,000 phone calls received since August, the 24-hour policy has been rigidly adhered to.

We aren't able to help in every case, but our completion index includes only those cases successfully resolved or those cases in which an adequate and satisfactory explanation has been made to the business person as to why it is not possible to perform the service requested. OED cuts red tape in City agencies through a system of one stop service specialists who have regular contacts with each City department impacting on the business community.

We now have to go beyond the case method and identify those chronic areas of red tape in which permanent alterations in regulations and regulatory agencies must be achieved. One problem area is the construction industry, where contractors, architects, and engineers experience numerous delays in obtaining or renewing building permits, street closing permits, certificates of occupancy and so forth. OED has recommended the establishment of a Business Improvement Panel which will use Business Action Center records to identify the repeated offenders in the red tape area, and to devise permanent solutions.

Another successful area for our staff has been provision of tax abatements through the Industrial and Commercial Incentives Board established in February 1977. In a little over one year, ICIB has provided tax abatements covering over \$230,000,000 of new construction or renovation. The Industrial Development Agency, established in 1974, also has greatly expanded its activity in the last year.

Development services, by which I mean the provision of project management assistance to help development projects through various City approvals, is an area which requires more attention and support. If a developer has a project in which he has secured financing, to be erected on land which is cleared and properly zoned, and he is in compliance with the City's building, health, and fire codes, then he requires no assistance from any government agency. There are

few projects which meet these standards, however. Most developers need City assistance in obtaining zoning variances, approval from the Board of Estimate for leases or licenses, assistance in developing and gaining an approval for ULURP plans or environmental impact statements, or financial assistance including tax incentives through city, state or federal mechanisms. Government is therefore in the development business. It is essential that the City maintain the expertise to "honcho" these development projects.

Research and Policy Formulation provides the necessary backup for economic development activities. Formulating tax policies and energy costs reduction programs, maximizing the use of federal and state resources, and assisting in the development of regional economic development strategies (such as the South Bronx Plan) are the kinds of activities which the research shop should be providing within the structure of an economic development program.

Finally, there is a need to market the services which the City does provide as well as the advantages of locating or expanding within the City. We must do a better job of letting the public and the business community know that help is available. We must project and build on the strengths of the City as a place in which to do business. In this, we have not done a very good job.

Until last year, there was no comprehensive marketing and promotion program for the City of New York. OED established the Business Marketing Corporation as the first attempt to do this. BMC has had its organizational and personnel problems, and has yet to prove itself. However, we did organize the first marketing trip out of the City to seek to persuade the oil companies to locate their on-shore facilities for the east coast drilling surveys here in New York. Twenty-nine business, labor, and public sector executives led by then-Mayor Beame traveled to Houston last May. We produced a special ten-minute film featuring aerial views of sites such as the Brooklyn Navy Yard and the Staten Island piers accompanied by Liza Minnelli singing "New York, New York." The film and the visit were well received by Houston executives who subsequently came to New York to examine our port's facilities.

One of the most amazing experiences we had on the trip was coming across business people who did not know that New York had a deep water port. This kind of ignorance out there beyond the Hudson is precisely the reason we need an advanced marketing and promotion program. I am confident that, in his reorganization of OED's programs, the Mayor will be focusing on strengthening our marketing strategies.

We have made progress in sharpening our economic development tools and I think I have indicated those areas in which we have a long way to go. I am proud of the contributions that OED has already made, and I assure you that the City of New York will continue to address its economic development problems in an aggressive and forward-looking manner.

CAN NEW YORK CITY BE COMPETITIVE IN ENERGY COSTS?

By Bertram Schwartz

New York City's present electric energy policy was conceived in the 1960's. Simply stated, it was to:

1. Convert in-city generating stations that burned coal mined in the eastern U.S. to burn natural gas or low sulfur imported fuel oil.
2. Build all new base-load generating stations outside the City.
3. Continue the policy developed in the 1930's and 1940's of using Con Edison as a major tax collector (per kwh., 2-3 times or more the taxes paid by utilities in other large cities).

The 1960's energy policy was implemented prior to the Arab oil embargo of 1973-1974. At that time Con Edison could purchase natural gas at prices comparable to oil prices in sufficient volume to generate about 20 percent of the electricity it produced. And it could import fuel oil to generate the rest of the electricity it produced. The foreign sources of such oil were thought to be reliable. The oil cost about \$2 per barrel.

Today, generating plants in New York City are permitted to burn only gas or very low sulfur oil (.3 percent or less sulfur content). Except for its nuclear plant, Indian Point 2, virtually all of Con Edison's generating capacity is oil-fired. Taking into account power purchased from other utilities, approximately 67 percent of the electricity supplied this year to customers in the Con Edison service area will be generated in oil-fired stations.

The fuel and purchased power bill for supplying electricity to our service area will be approximately \$750 million. Including the fuel oil burned to generate steam for Con Edison steam customers, the bill will be \$884 million.

The purpose of the 1960's policy was to improve the quality of the City's air. To the extent power plants contribute to air pollution it has achieved this purpose. However, since the 1960's basic changes have occurred in national energy policy, and in other factors bearing upon the City's energy strategy, which require that it re-examine its energy policy:

1. Federal curtailment orders now virtually prevent Con Edison from burning gas to generate electricity. In 1977 natural gas generated less than one percent of the electricity Con Edison produced.

2. National and state energy policy now seek to reduce oil imports, which are regarded as an uncertain source of energy, and are responsible for huge deficits in foreign trade balances. Government and oil company geologists alike predict that world oil production will begin to decline in the next 5-15 years. National policy therefore seeks to substitute domestic energy sources for imported oil.
3. Consumers are paying a far higher price for New York City's 1960's policy than when such policy was adopted. Fuel oil that cost \$2 per barrel in 1970 now costs more than \$13 per barrel--adding \$535 million to the price consumers must pay each year for electricity. It is reasonably predictable that imported oil prices will continue to rise at an annual rate of at least 5-7 percent, and that after world oil production peaks in 5-15 years the rise will be much steeper. By 1987, imported oil could well be costing \$25 per barrel or more.
4. Coal, which in the 1960's cost as much as fuel oil, now costs much less. The price gap will continue to widen.
5. Technology has been proven that makes it possible to remove 99½ percent of the particulates from smoke stacks, thus assuring that coal can be burned cleanly. And environmental studies made since the City adopted its 1960's policy strongly suggest that the very low sulfur restrictions on fuel burned to generate electricity then thought necessary to protect public health are, in fact, not necessary.
6. The July 13-14, 1977 blackout was partially caused by a power system that relied too heavily on power generated north of the City. It confirmed the importance of maintaining in-city generation.
7. New York City and Westchester County have embarked upon programs to expand business and employment by tax reductions. Logically, such a program should also reduce the high taxes on energy used by businesses.

Taxes and fuel now account for almost 60 cents of every dollar that Con Edison bills. By comparison, payroll accounts for only 13 cents. To be successful, any attack on high energy costs must concentrate on reducing the "big ticket" items: taxes and fuel.

The implications of these new circumstances make it clear that New York City should modify its energy strategy as follows:

1. It should encourage the substitution of coal and nuclear generated electricity for oil generated electricity used in the City.
2. Consistent with this policy, the City should encourage the burning of coal at certain of Con Edison's in-city generating plants that were designed to burn coal.
3. The City should reduce taxes on electric energy.
4. The City should continue to stress energy conservation, bearing in mind that, per capita, New York City is already the most energy efficient city in the United States.

Over the next 25 years such a strategy could save consumers billions of dollars, make New York City more competitive with other cities, keep the City's air as clean as it is now (cleaner, when automobile and solid waste pollution are reduced), and make the City less vulnerable to blackouts.

The means are at hand to implement this policy:

1. Support PASNY's construction of the 700,000 kw. coal and refuse-burning Travis Plant on Staten Island, and the 1,200,000 kw. nuclear plant in Greene County, for both of which PASNY is now seeking construction permits. Support, also, an amendment to the Internal Revenue Code which would permit Con Edison to purchase a substantial part of the output of these plants for its customers in New York City and Westchester County.
2. Permit Con Edison to reconvert its 1,000,000 kw. Ravenswood 3 unit and its 800,000 kw. Arthur Kill 2 and 3 units to 1 percent sulfur coal, upon condition that the Company install smoke stack precipitators of 99½ percent efficiency, together with a fast fuel switching capability to .3 percent sulfur oil to be used during temperature inversions. The Company is prepared to do this at a cost estimated at \$70 million.
 - a. Do not initially require SO₂ scrubbers because of the cost and difficulty of retrofitting, but require careful monitoring of SO₂ ambient air quality and health effects.

- b. Require other in-city generating plants to continue to burn oil, though possibly change sulfur limitations depending upon monitoring results.
 - c. Keep in mind that, with coal burned at Travis Ravenswood, and Arthur Kill, total SO₂ emissions from New York City generating plants would still be only 30 percent of their 1966 levels and particulate emissions only 35 percent.
3. Support federal incentives for the construction of demonstration plants to convert eastern coal into low sulfur oil and high Btu gas.
 4. Encourage the construction of pumped storage projects (PASNY's 1,000,000 kw. Prattsville Plant, and Con Edison's 2,000,000 kw. Cornwall Plant) to enable coal and nuclear generated energy to be stored for peak-load and emergency use.
 5. Change the City's policy which, unlike any other city in the state, taxes the fuel used to generate electricity. (Although Con Edison customers must pay this tax, the City exempts from the tax the fuel used by the New York State Power Authority to generate electricity at Astoria 6.)

With the conversion of Ravenswood 3 and Arthur Kill to coal burning and elimination of the 4 percent New York City tax on fuel burned to generate electricity, consumers in Con Edison's service area could save \$900 million or more between 1979 and 1986. By 1987, when the Travis and Greene County plants are both on the line, the fuel oil portion of the total fuel mix for supplying electricity to Con Edison's service area would have dropped from today's 67 percent to approximately 25 percent with large and increasing savings for consumers.

In a single decade, 1978-1987, New York City and Westchester could achieve substantial independence from the OPEC oil cartel, and electric energy would be available at more competitive prices for the City's and county's economies. The total environment--including the social and economic environment--would be greatly improved over what it will be if the City clings to its present outdated energy strategy. And as new technology for converting coal to low sulfur oil becomes available, and better ways are found to remove sulfur from coal, the City in the late 1980's and thereafter would have the means if it wished to re-impose today's severe restrictions on the sulfur in fuel burned to generate electricity.

FORGING EFFICIENCY IN THE PUBLIC SECTOR

By Lee P. Oberst

I heard a joke the other day and perhaps it is appropriate here. They said the efficiency of New York was so bad, they are telling jokes about it in Poland. Let us start on that basis. I believe that to understand efficiency in government you first have to understand government. I would like to spend just a little time talking about municipal government in particular because I think it is misunderstood. I know it was misunderstood by me, and I am sure it is misunderstood by a lot of other business people.

Municipal government with a budget of \$14 billion (and employing some 234,000) makes it around the fourth largest corporation in the United States by expense. By any standard, that is big business. I am talking basically about the internal operation of the government. It is complex, and extremely so. Imagine a service organization taking care of virtually every human need from birth to death, and everything in between. We measure today about 3,000 service items and we are only scratching the surface of the service requirements of the City. Government is political. It is supported and elected by the most diverse group of organizations imaginable: businessmen in one group, unions in another, and various community groups. Government officials try to please them all so that they can stay in office--a very important consideration for the politician.

Municipal government certainly is not its own master. I am sure you have heard it before, but let me just repeat. The federal government is very remote to most of us. We know it handles a defense budget. We know it does a lot of things. But our only contact with it is around April 15 when we dislike it very much. State government is not dissimilar. Our major contact with it is also through an income tax. But city government delivers the service. It is close to the scene, right on the line. It either fills the potholes or fails to do the job. We do not blame the federal government for that failure.

Yet a tremendous amount of the city government's capability is regulated. It is regulated by the federal and state governments and also funded by them. Roughly, 24 percent of our budget comes from the federal government and 20 percent from the state. So this is a regulated industry in addition to everything else. It is a very labor-intensive industry, and its relationship to its employees is most important. I do not know of any industry where employees have double protection, one from civil service statutes, and one from union-negotiated contracts. An employee actually can opt which way he might want to handle a grievance or might go in both directions, which makes it doubly difficult to institute disciplinary action.

In the city government, we identify 2,100 people in the management pay plan out of a force of 234,000. Most of the people in city government that the business world would normally call management people are part of the unions. In many cases they are part of the same union as the people they supervise. Promotions are not based on merit. In fact, we have no appraisal system. Basically,

it is a civil service testing procedure. The government headquarters staff, which in a large industry would probably equate to something like two percent of the total population, is very small indeed. In fact, up to recently the only true government staff was the Office of Budget with perhaps fewer than 300 people. As a result, there are no standard practices or procedures written, prepared, or distributed.

By all of this, I do not mean to intimate in any way we do not have good city management people. I have met some outstanding, excellent people in the City. But we do very little management training; virtually none. We have neither a training program nor a training budget. There is a tremendously high turnover in government--a commissioner's average life is two years. Of course, you know the mayor is elected every four years.

Last, but not least, and something that I think has a substantial effect on government, is that it is constantly under the microscope of our very critical media. Everything that is done, every little word that is said, is constantly made public. The media policy, of course, is that good news is no news. So unless it is poor news, we do not see it published in the paper. So those good things that happen very seldom get publicized.

Some time ago I served with the Shinn Committee, which at that time was the mayor's Management Advisory Committee. The Shinn Committee was made up of businessmen from the private sector who performed many, many studies for the City, and who encouraged their implementation in one form or another. I happened to be involved in the organization study. As a result, we looked over the organization of the top echelon of the City and noted that there was something missing, and recommended what we called an operations staff. In any large corporation, you will find a staff which is dedicated to the internal operations of that corporation. The City lacked such a staff. It was supposedly combined with the Office of Management and Budget, but in reality and necessarily so, and particularly during the fiscal crisis, that office spend 95 percent of its time working on budgetary matters and very little time working on what you would normally call internal operations matters.

In February of 1977 the Office of Operations was created with myself and one other person who served as a secretary, together with some furniture I brought along with me from the Telephone Company. We then started to build an Office of Operations, and have greatly expanded. We have roughly 20 full-time executives from private industry, paid for by private industry, now on the City payroll as dollar-a-year men. We also have an organization of about 20 City people. The City people are in what we call the mayor's Management Report Group. They now collect data from each agency. We collect from one-half to three-quarters inch thick performance data sheets for each agency, much the same as executives do in their businesses.

We have, in effect, adopted a management by objectives attitude. Once each year each agency sets up its cost objectives, its revenue objectives, its service commitments, and its critical needs and requirements. I meet with the heads of the larger agencies once a month, the medium-size ones bimonthly, and the smaller ones quarterly. We track performance much the same as done in industry. We look for exception reporting and how we can change and overrun a planned revenue or underrun an expense.

The business and City people form the nucleus of the Operations Staff group to improve efficiency. We supplement that organization by borrowing industry people to do what I call "Operation Reviews." When we see a particular subject in need of some expert advice, we do not go out and hire consultants. We prefer to go out and borrow a team from industry who are experts on this particular subject. For example, I got a real estate review team made up of vice presidents of different real estate firms who are going to make a complete review of the real estate operation including municipal housing, etc. I have had a team from General Motors look at sanitation. Minneapolis Honeywell is looking at energy control. By utilizing this type of talent and looking broadly across the agencies at problems that are inter-agency in nature, we are able to supplement our programs by adding the information the review teams supply right into the management plan itself as an additional tracking tool.

In addition, I bring in specialists who address themselves to particular operations. I have an organization man from J. C. Penney who has, for the first time I know of in the history of New York, created an organization chart for each agency that includes all non-supervisory personnel. From that we are able to determine the span of management control, how many people report, and to whom at each level in the organization, how many levels there are in the organization, and the line-to-staff ratio. By instituting this process and reviewing every agency, we are able to recommend to each agency head a structured organization that should net us a surplus of about 3,000 managers. That is a substantial saving. So that particular borrowed individual has more than paid for himself.

Because the City has not had good management information systems we have had to create many. One of the things that we studied when we first came in was nonproductive hours, that is, the amount of hours a person is paid for but for which he does not show up for work. It really has nothing to do with productivity, but rather with whether they show up for work or not. The largest variable in that, of course, is paid absences. So we started a drive on paid absence. We took a composite of various industry absence control plans and instituted it in all agencies. In the first year, in those agencies where the plans were introduced, we obtained a 30 percent reduction in absence, which cost the City \$100 million a year. That is forging efficiency, from my point of view.

We searched the country for a motor vehicle plan that we could institute in the City. The City's fleet of 15,000 vehicles has an average age of about six years. It took us about five months just to find out how many vehicles the City has. Once having established that, we looked to see how our maintenance work force matched our vehicle requirements. We went to Avis and Hertz, but they only handle passenger cars. So we went to several of the larger trucking firms. But they were monitoring only particular types of vehicles. We then went to the United States Army and the Air Force, but if we ever staffed the way they do we would have been broke many years ago. Finally, in the city of Phoenix we found a plan that looks very good. We have already stolen parts of that plan. Phoenix has all its 5,000 motor vehicles on a computer. They tracked them four years for the average maintenance hours required and the cost per vehicle. They determined which vehicles stand up the best as against first cost.

But more important, they have something that is a gem of an idea for the future. They rent vehicles from the central force to each city agency, and the vehicles appear in the city agency's budget as an expense item. This does two things: First, it discourages agencies from taking on more vehicles than really required. It is now a tradeoff, do you want vehicles or do you want people?

Also, included in the rental is a depreciation reserve, and depreciation is unique in government. So this organization is building its own depreciation reserve to replace its fleet out of the expense money that it gathers by the rental of the vehicle. This novel idea can be very useful in our City. We have instituted the parts of the plan that tell us how many mechanics we require in each agency, and it is very enlightening. Our better agencies were very close to the number of mechanics that we require based on the Phoenix study. The agencies that had very poor maintenance were grossly undermanned. It gave us, for the first time, a handle on force production, on how many people we need for particular functions.

I am running down a list of various things just to give you a feel of some of the things we work on. We did a custodial review on how to sweep floors and do other cleaning. We used several of the contract cleaning companies. We found that while we had many more people than required, we were substantially short of supervision. We were able to save enough so we did not have to hire any more people. We saved enough money that way to be able to put in a management force that is running the organization much more efficiently. Now, by taking the procedures and practices from industry and sending people to the Urban Academy, we are able to train our middle management. The Urban Academy was formerly associated with City University. It is now a separate, nonprofit corporation, supported by federal, city, and private funds, and has become our training institution. Despite the fact that this training is a relatively new approach, we have placed over 600 middle managers through a city training course. We are busy writing and preparing many more instructions and practices and training courses along this line.

There are other projects we are pursuing in the area of management development. We contacted Jim Hayes, president of the American Management Association. He has offered us seats for commissioners who want to attend his course on how to manage, at no cost to the City. He has offered to develop another training course for all deputy commissioners. This is an excellent time, at the beginning of an administration, to get as many of the top managers through that type of training course as possible. We are going to make managers out of them one way or another!

We participate in many other areas. Revenue improvement is one in which we have been involved. I had three people dedicated to just that particular function. We find many interesting things, such as several hundred million dollars in outstanding debts owed the City. We do simple things like going to the police pound where illegally parked cars are held. By law, we have to break even on that account. I now have a computer terminal that accesses the Traffic Department's records, and I can identify who the scofflaws are. So in addition to picking up your car, I will hold your car until you pay all your back bills. I warn anybody in the audience in that situation! We have that going for us now. That little item, putting in one terminal, is bringing in an additional \$3.6 million a year.

We were billing two months after we read a water meter reader. Today we are billing in one week. A little item like that picks up a cash flow of \$8 million. There are so many of these things that we can address ourselves to by simply using the same approaches that we have all used in business for so many years.

One of our biggest efforts to date is in data processing. We made a lot of studies these past 10 months on data processing. We determined that we are utilizing somewhere between 20 and 50 percent of our hardware capacity. Data processing today is scattered throughout the agencies. Each virtually runs its own data processing system. We found several things wrong. First, we had 30 titles in the civil service structure, all of them grossly underpaid by comparison with industry standards. As a result, we would take people in from school, they would stay with the City six months or so until they got experience. As soon as they did, they were off to industry where they get paid well.

We have changed that. We reduced the 30 titles into 13. We formed an advisory group made up of eight industry vice presidents, all of whom handle big data processing operations. We restructured salaries so those 13 titles are now comparable with outside industry. It is our intention to keep them there. We are now going through a process of using one of our industries, in this case Western Electric, which has offered us its data processing classrooms to retrain our people in current technology. We are going through that process again, coordinating it through the Urban Academy. As we finish this, we will retest all of them, and, hopefully, by July, we will have a structured data processing organization that will be equal to its counterparts in private industry, and give us the capability of retaining people permanently.

Simultaneously we are planning to consolidate the computers of five agencies. Already we know that if we consolidate just these five, we do away with that magic machine called the 1401, which went out of style about 10 years ago and for which we cannot even get parts any more. We will be able to sell one computer. We will be able to give one to the Police Department for a criminal justice data processing system, and still have two main frames left over to absorb a tremendous amount of programs that we are anxious to organize in order to create a mechanized management information system.

I could go on. But I will stop here and tell you we handle other things, like restoring the Brooklyn Academy of Music. We were busily writing strike plans a few weeks ago for an anticipated transit strike. We handle Staten Island floods, or any other event that the mayor may deem an emergency. We are restructuring our organization this year. We are going to substantially increase it. I am looking for 57 businessmen full time, instead of the 20 I have today. In addition, I have been given a personnel services budget in the neighborhood of \$700,000 so I can bring in City people to work side by side with the business people.

We can then start developing for the future the potential of an all-city operations staff. Personally, I think that is three to five years away. I think we will need all the help we can get from industry in the next three to five years to make sure that we have created the kind of management information system that will tell us all that we need to know about service delivery, cost, revenue, and the other problems that will make our City great.

We anticipate that we will eventually have only four data bases. One will be a buildings data base that will keep a record of every building in New York by block and lot, street address, and all of its applications, inspections, etc. Everything that you can think of that is associated with buildings would

go into that file. All those people whom we service through welfare or any other social assistance would be in another file. A third file has already been created, and that is the financial file. What did I leave out? I left one out--the criminal justice system. At any rate, by creating these four files, we will be able to keep track of everything the City is doing in four basic data base files.

We are recruiting now. I am encouraging everyone I know, if he or she knows anyone who is interested in coming to work for the City, to call me. I am in the directory. I am sure you can find me. I am looking to borrow people. I have people on my staff now. Most of my top echelon is in the \$50-\$70,000 salary range. I have working people from \$12,000 on up to \$50,000. We have a hell of a good staff. I am looking for people who are going up in their organization. I have been having meetings at Gracie Mansion once a week with ten chief executives of large corporations. I have talked to most of the captains of industry in New York City, and they are cooperating. Last week alone I picked up six people.

I honestly believe this is a live adventure of business and government working hand in hand to improve something that will be mutually beneficial. If we are going to continue to keep our taxes under control, or, indeed, perhaps reduce them, and if we are going to continue to make our City a better place to live and work in, this is the very best way that we can do it. It is a great adventure. I tell these captains of industry it is better than sending their middle management to a year at the Harvard Business School because this is a real live "doing" session. I am most encouraged. I have been with the City for almost 15 months. I have been in every agency in the City. I have yet to see a problem that cannot be efficiently managed, using the same techniques that we use every day in the world of business. We have been well received by the City people. We have a good cooperative spirit between us. It is a real challenge. And, again, I encourage any of you who might be interested, or know anybody who is interested, to come and see me. We will be happy to talk.

THE COMPETITIVE CITY--MYTH OR REALITY?

By Norton Long

It is really a pleasure to be able to come here from Washington and see some constructive action going on. One does not always feel that the action in Washington is that constructive. Sometimes I am tempted to think it is the snake oil capital of the world, in which you have great collections of grantsmen coming from the cities to get small dabs of federal money in order to avoid facing the basic facts of life that cities have to face if they are going to get their economic houses in order.

The general doctrine has been to solve our problems with transfer payments. I think we have suffered a most serious kind of problem because of the disconnection between the production and the consumption of wealth. Cities have tended to be regarded as consumers, consuming merit goods in which the question was not what you could afford but what you thought you needed. It is only, as I guess often happens with businesses, when the red ink shows up that the pain of thought commences. You must get over the recriminations of the real struggle to see who can avoid getting cut, as we do in the round of trying to avoid the problem of inflation. By trying to have the other fellow bear the burden, you get down to the business of how you can make the economic shift viable. Basically, that is the problem in the topic suggested to me: How you can make a competitive city, as opposed to the myth of being a competitive city.

I think Ray Horton was quite right in saying that one of our major problems is not that the city won't become competitive--few cities die--but it can be a terribly costly process if we resist it. That is, if we seek excuses and rationalizations, and we do not buckle up and buckle down to the problem of how to get costs in line with the competition. It also involves how you begin figuring how the dickens you are going to earn your living, and not figuring that the state or the nation owes you a living for some special reason. I was really concerned when Jackie Onassis came to Washington and told us we ought to support Grand Central Station as an historical monument for fear that she was going to suggest that we ought to try to support New York City equally as an historical monument. I would hope that it is going to have a future as well as a past, and I think the last speaker has given one more hope that it can have a future.

We must show that we seriously are able to get to the business of both putting the City's competitive position in order, and beginning to get a balance between the private and public sector. We must get private sector costs at some kind of level which gives you some reason to sustain investment, maintain the investment, and add to it.

At present, as I think you are aware, one of our problems, particularly with the older cities in the Northeast and the North Central States, is that we have to plan in terms of the present size of population. We have erratically changed the population mix in terms of the income structure of the population.

What you have is escalating cost with a declining population, with a declining capacity to maintain the escalating cost. It is mighty tempting to say disinvest and get out. I think you cannot look at the record without seeing that we have been really seeing disinvestment and people getting out of a whole array of cities in the Northeast and the North Central States. At some point that process could result in our getting lean and hungry, and the South and the Southwest getting fat and prosperous. They would then have their costs go up, and presumably that is one way in which we move the factors of production around the country. And we have been moving the factors of production around the country with disinvestment. As a matter of fact, just a few years ago everybody was saying that the larger metropolitan areas had a complete lock on the future because their size provided gravitational pull to draw everything in. Yet, as we know now, the non-metropolitan rural areas are some of the fastest growing areas of the country because their cost position makes them very attractive for expanding manufacturing jobs.

We must begin thinking about the basic problem of how you are going to earn a living, how are you going to meet the competition, and what is the competition like. It strikes me that this involves what Ray Horton said about politics and economics. I don't know how many of you ever read Wallace Sayre's and Herb Kaufman's classic Governing New York. New York was represented as a kind of smorgasbord of different competing special interest groups that were somehow uneasily held in harmony by a very weak man working with a very weak political system. The system worked well for a time because of the expanding revenues which came from the state and federal government.

As the Catholic church would say, we had an occasion for sin. It was possible to grow and increase your employment, and increase your expenditures by matching federal dollars, by using various kinds of fiscal gimmicks, and deflecting your expenditures from the interest structure to the human resources sector. When the evil day of the recession came, there was a cutback in terms of federal and state expenditures. Again, if you look at public employee payrolls in this town you will find they went up considerably for quite a period after the whole situation was moving down. This can be explained in terms of power politics and the way in which the City functions to allocate its resources. Only with the coming of a fiscal crisis were you in a position to bring together the kind of power that is involved in the federal government, the state government, the banks, and the unions getting together and facing up to the fact that bankruptcy is a much more serious threat to all than cutting back. Although cutting back is far from easy, it is a major problem for a whole array of cities in this country.

You have to look at the competitive city in terms of world inflation which is impacting us, in terms of increases in energy prices, increases in food prices, increases in interest and housing costs, and the explosive increase in medical care costs. Then, too, nobody wants to have a reduction in his standard of living which these price increases tend to impose. As Horton suggests, ultimately the lash of hunger, the lash of disinvestment, the lash of transfer forces you to get your costs down to where you can be competitive. But everybody hopes that somehow or other either they are going to escape it or that some magic is going to turn it around. The hope is that you will not really have to adjust to facing up to what you have to do to meet the competition. It seems to me the beginning of wisdom is taking a look and asking yourself how you earn a living. That means you must ask what do your export industries look like and who are they competing with and what affects your capacity to be competitive.

That is one reason why we very badly need the kind of information to which an organization like this is dedicated: Educating the public on the economic facts of life that it needs to deal with. I have been very much concerned talking to my colleagues in the universities and others about the lack of any organized attempt on the part of the educational community to really effectively educate in terms of a fundamental appreciation of what enables all of us to get our meat and potatoes. Unrealistic expectations are thrown around as a serious explanation of why we cannot face up to the problems of cost control and why we cannot face up to what we have to do.

Just last Sunday Susan Sontag had a piece in the Washington Post about New York. She was trying to explain why we did not properly understand the payment of public employees in New York. She pointed out that the cost of living in New York is something like \$2,000 a year higher than in Washington. But, unfortunately, that says something else. It may say what you need if your cost of living is that much higher. But it does not say what having that kind of a disparity in the cost of living means in terms of people who are going to say that is a heck of a big burden if you have to carry it. When you have the problem of attracting people to work in industry they will ask, "What is the comparative advantage to my being there that makes up for the disparity in costs?" Now the difference in those costs--if they cannot be justified on the basis of superior productivity--work themselves out in terms of a transfer of people and resources.

The Northeast and the North Central States have seen a massive shift in the location of industry for a number of years. We have been facing some fundamental facts of economics with respect to meeting the competition. Being competitive is not a myth. It is a very grim and real fact. Over time if you are not competitive you pay a price. You pay a price in business and you pay a price as a city. One would feel much more sanguine about turning the City around if one could see a political process where you had more than a mayor hanging in the air depending on theatrical media events for political power. To deal with the contending forces in this City we must be aware of the strong track record of groups being for themselves and themselves alone--without any sense of the City as a whole--except insofar as the grim face of fiscal disaster scares them into thinking that they must do something about it.

If one is going to move toward the competitive city we must realize that politics has become inexplicably related to economics. So the cost of allowing market forces to solve the problem of making New York competitive is excessively high. If you look at the deterioration of the interest structure, which is the path to which the federal government's stimulation of the allocation of budgetary resources in the City has led, you see the results in terms of what has happened to the West Side Highway. You can see it in a whole lot of other deferred maintenance and rundown capital structures. You can see if that process were to continue--and it might in terms of an expedient struggle for the allocation of resources--the very base of locational rents that makes the place attractive becomes seriously eroded. You have a problem in creating the kind of political capacity, which means the kind of coalition that exists in this room, in terms of people who at least believe they have a long-term enlightened self-interest in the economic viability and political viability of New York City.

You have to be concerned with how you put something together which is more than a day-long conference on economic education on New York's future. You must become concerned with something in which you enlist for the duration; and it is a continuing duration of making a viable city. How do you begin the job of persuading the public employees that the City is the goose that lays their golden egg, and if they wring its neck, they wring their own? You are in better shape in New York than most of us are elsewhere, because you already have their pension funds invested in the City bonds, so they have a stake in its future. They now cannot so easily cut and run from the City. They are fixed like Con Ed which cannot move its generators and franchise. It is a soft labor market for people working for local government. It is not so easy to pick up and move. You do not move your pension that easily either. In terms of a rational enlightened self-interest in the economic future of the City, the public employees properly educated, should realize that they have a most significant concern with the viability of the entity that generates their income, provides them a future, and could provide them with a better future.

It is extremely heartening that my colleague from the Telephone Company has been able to instill in the City a conception of productivity. Productivity is obviously something not only in the public sector, but it is something in the private sector. We have, unfortunately, not as many hopeful examples of what can be done. Yet there are examples. In Jamestown, New York, Stan Mundine, who was Mayor of Jamestown and is now a representative in Congress, was able to bring together a committee of union and management to work on the problem of labor productivity in a town that had a lousy labor image, high unemployment, and massive disinvestment. By bringing labor and management and industrial engineering together, and looking at the problem of making industry cost-competitive, unemployment was reduced in half. The labor image was changed from lousy to good, and from massive disinvestment you got a turn-around with new investment.

I think this is a fairly fundamental thing to the interface between politics and economics. If your politicians are doing a job, they are doing the job that the corporate executive has to do in his own organization, giving people a sense of their common stake in making the enterprise a success. Building communities, building good citizenship is not a case of me, myself, and I, and the devil take the hindmost. A community should give you a sense of pride, and a sense of personal reward. Again, as my colleague from the Telephone Company was suggesting, he and other businessmen were getting results by playing a significant role in a very important institution--their city--in making the thing work.

Believe me, making New York work is terribly important to making the company work and providing us the kind of example of "how," instead of "give me," "give me," "give me," and "me first," and "to hell with the other guys." You can begin talking about creating a public interest, a sense of community, a sense of common purpose, and moving ahead. We need to be able to put the various actors together. We need industry, we need labor, we need public employees, we need the institutions of higher education, and we need the schools most desperately, especially when you look at youth unemployment. Basically, what we are telling them is to get lost until they are into their 20s, with all that that implies. Not only does it mean crime in the streets, but the terrible human loss and the loss in human capital development that those kids represent. You see how cockeyed our society is. It cannot do a better job of finding a decent occupation for its most

important resource, the seedcorn of its future. Yet we somehow take that and accept it, and all we have is some kind of palliative to avoid getting too hot in the summer, not only in terms of the sun, but in terms of something burning. Hopefully, if we have the right kind of politics, we begin to work on the school system, and on the kids, and on our occupation structure, so that we have a manpower agency in the City that regards the people of the City as its most important asset.

An intelligent business executive knows that planning for his corporation is the systematic management of assets and the development of assets. We do not really accept, even though we give lip service to it, that the people of the City are the assets of the City. If they are not turned into assets, they soon sour into liabilities. I have a colleague at the Woodrow Wilson Center for Scholars, a native of Tokyo. In a very important essay on human capital development he points out that although Japan is just a set of rocky islands, with very little fertile land and no national resources, it has the highest growth rate in the world. He points out very convincingly with abundant evidence that it is because of human capital investment.

If there is one thing that a city in this country could do to get its act together it is to do what we have known ever since Barnard wrote his book on the function of the executive. He stressed the need to develop your human assets as assets to the company, and assets to the city, and go get your educational act together so that it does something for you. Hence, you would not find yourself out in left field, outside of the world of work, independent from the adult society, going on by yourself, under the control of the teachers union or heaven knows what. You would be a part of a total community that is attempting to go somewhere, that is creating for its people, not degraded and degrading roles, but self-respecting and meaningful roles on a career ladder that is going somewhere. I think we have to begin looking at the possibilities of the city.

David Birch of MIT says that the major difference between a northern and southern city is not the death rate, but the birth rate. While the death rate is the same, a city like Houston has better than double the number of new businesses. We do not know the reasons why we are no longer the incubator of new business to the extent that we were. We should be finding out. We ought to be looking to our large companies and saying, "Look, we would like to see your order books. What are you buying outside of this town that you would be prepared to buy in this town if we could find you a competent small business with a good track record that we would like to see grow?" What are we doing to get out banks seriously to surface if they are to have any relationship with small business, the people who are commerce, the people whom we want to see as the replacement industries to take the place of the ones that are beginning to move down.

The Northeast maintained itself for a long time because of its capacity to regenerate itself through innovation. We need to ask ourselves why are we getting hardening of the arteries in terms of developing new ideas. Brian Peterson of York University suggests that we are producing a nation of employees. We are all learning to become bureaucrats, in IBM and the Telephone Company, or somewhere else in business school. We are not risk takers and people who want and run small businesses. Small businesses are the adaptive way in which the society develops. We better be darn sure that these paths are not choked up if we want to have a future for our towns. We do not really seriously educate our kids as to the

potential and the desirability of running a shop with 5, 10, 15, or 20 people. I know the evidence is that a very large part of our total employment is in firms of under 100, and they are highly profitable and they are very important.

A group like this that is concerned with economic education has got to be concerned with how do we get a handle on, or how do we make the town capable of earning its living. Who are the people we are competing with, and how do we get the knowledge about the competition to the folks down there? How do we explain to the rank and file of the unions that we are not asking them to make a sacrifice? We are saying that if you want to stay in the league and not be a dropout, this is what you have to do to meet the opposition, and this is what the opposition looks like. In St. Louis my friends in the machinists' union were very pleased because we got the NATO plane contract, which was the largest contract in the history of the world. But we did not get a single job, except in the commuter airline going between Dallas and Fort Worth. It happened that our machinists' wages are higher than Dallas, Fort Worth, Kansas City, and Chicago. Their reputation for productivity was worse. When you talk to the leaders of the union they say, "Yes, Doctor, we agree with you, but we are scared to death of our rank and file. So please go out and educate them so that we can afford to be leaders." This is no joke. This is something where we have to get out and show our capacity to educate people so that we can begin to have an enlightened sense of our self-interests and our common interests in making our town effective.

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